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February, 1926

CREDIT MONTHLY



Which Is The Best Medicine—
Credit Protection or Credit Fraud?

Page 9

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Capital	3,000,000.00
Net Surplus to Policyholders . . .	8,883,751.21

Western Dept.: CHICAGO, ILL.—F. P. Hamilton, Mgr.
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The record of the Hartford in all conflagrations for over one hundred years indicates not only the financial strength of the company, but also the spirit of the organization in meeting any obligations it may assume.

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The Hartford Fire Insurance Company and the Hartford Accident and Indemnity Company write practically every form of insurance except life

CREDIT

MONTHLY

REG. U. S. PAT. OFF.

THE NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

(Member, Audit Bureau of Circulations)

Editorial and Executive Offices, 41 Park Row, New York
Rodman Gilder, *Editor*

Contents for February, 1926

THE LIFE MASK OF ABRAHAM LINCOLN	4
Made in Chicago, April, 1860 <i>Photographed for THE CREDIT MONTHLY</i>	
HOW LINCOLN, THE LAWYER, ANSWERED A CREDIT INQUIRY	5
WHY I LEFT SALES WORK	7
The credit manager gets into the hearts of men	
BANKRUPTCY LAW AMENDMENTS	8
Bill introduced as recommended by organized credit men	
HELP THE DOCTOR!	9
Increasing the curative work of Credit Protection Fund	
NEW YORK WAS HOST IN 1904	10
The last N. A. C. M. Convention in Manhattan	
OUR NEW YORK HOSTS	11
CREDIT MEN 60% SALESMEN	12
Policy of Certain-Teed Products Corporation	
UNDERWRITERS AND THE PUBLIC	16
Much desired improvement in relations is noted	
MOTHER AND THREE-YEAR OLD	17
A true credit story with a happy ending	
CUBAN CONDITIONS	18
The situation as export credit managers see it today	
ORGANIZATION OF PRODUCTION	19
Second article in Credit Monthly's series on Economics	
THE CREDOSCOPE	22
THREE BLUE-RIBBON SECRETARIES	24
NEW YORK IN NATIONAL INTERCHANGE	24
Securing access to files in all affiliated bureaus	
THE HIGH COST OF SLUMPING	29
Correct posture increases efficiency	
THE BUSINESS LIBRARY	31
FULL PROTECTION FOR CREDIT RECORDS	34
JOSEPH L. MORRIS	35
ADDRESSES WANTED	37
Directory of Local Associations and Officers	38

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*The Life Mask of
Abraham Lincoln*

Made in Chicago, April, 1860

How Lincoln, the Lawyer, Answered a Credit Inquiry

The Letter

Answering an inquiry from a New York concern, as to the credit standing of one of his neighbors, Lincoln, before his election to the Presidency, wrote the following letter:

Yours of the 10th received. First of all, he has a wife and baby; together they ought to be worth \$500,000 to any man. Secondly, he has an office in which there is a table worth \$1.50 and three chairs worth, say, \$1. Last of all, there is in one corner a large rat-hole, which will bear looking into.

Respectfully,

A. Lincoln.

The INSURANCE CREDIT MAN

DISHONEST insurance claims are directly traceable to the character of the assured and the time to settle such claims once and for all is before the insurance is written.

The insurance policy as a promise to pay in the event of loss is a grant of credit. Moral hazard and credit cannot walk together with safety.

The elusiveness of moral hazard and the similarity of our credit problem to that of mercantile businesses are the reasons for our maintaining a thoroughly modern credit department as a means to reduce the number of dishonest claims.

The "America Fore" Group of Fire Insurance Companies

AMERICAN EAGLE FIDELITY-PHENIX
The CONTINENTAL FIRST AMERICAN
FIRE INSURANCE COMPANIES
Eighty Maiden Lane, New York, N.Y.

ERNEST STURM, CHAIRMAN OF THE BOARD.
PAUL L. HAID, PRESIDENT.

CREDIT MONTHLY

Vol. XXVIII

FEBRUARY - 1926

No. 2

Why I Left Sales Work The Credit Manager Gets Into the Hearts of Men By An Ex-Sales-Manager



I VOLUNTARILY LEFT sales work and went into credit work chiefly because I believe that in the field of credit there is a greater opportunity for the development of a man's judgment, intelligence and knowledge than in the field of sales.

The credit manager can, with profit, spend his spare time in study. There is a science of credits and an increasing number of books, such as are reviewed regularly in the CREDIT MONTHLY. That is what makes credits a profession.

The salesman can study with profit also, but has no such incentive as the credit manager to get to the very bottom of a situation, to take the whole machine apart and to see what makes it tick. The salesman is usually through when he has induced the customer to sign on the dotted line.

One of the most attractive things about the profession is that it gets you into the hearts of men, for the credit manager must be, among other things,

- (1) A father confessor
- (2) A big brother
- (3) A secret service man.

In sales work the burden of proof is on the salesman; the credit manager has something that the other fellow wants and therefore the burden of proof is on the customer.

While the salesman needs personality and energy the credit manager needs personality, energy, tact, ability to analyze character and, most of all, judgment.

Think of the difficulties the credit manager must overcome in analyzing a great variety of facts on a customer!

Think of the personality and tact required to collect overdue accounts and keep the customer's good will.

I know of one case in which from an accountant's point of view the concern seeking credit looked like an excellent risk. They manufactured on an apparently safe basis and even received their payments before shipment of the finished article.

From the salesman's point of view all was rosy; but the credit manager found three facts which caused him to look with suspicion on the order:

First, the principals of the concern lacked experience in business.

Second, there was a somewhat shady incident in the past of one of the principals.

Third, the set-up was such that a fraudulent failure would have been exceedingly easy to arrange.

On the strength of these facts the order was turned down and the company that had been asked to grant credit avoided a loss of several thousand dollars.

I know from personal experience the fascinations of selling but to my mind they do not compare with those of deciding upon credit risks. And this preference comes after an intimate study of each of these kinds of work.

The Great Draw-Back

It has been said that the concern which is unconscious of the existence of its credit department is the one with the best credit department. A perfectly functioning alimentary canal which never gives signals of distress is the most de-

sirable one that the human body can possess. This fact is a draw-back to credit work because it means that the credit manager does not receive the recognition, either in salary or in other ways, that is accorded to a sales manager of equal efficiency.

The National Association of Credit Men and the leaders of the credit profession who constitute it, have already done a great deal toward the proper recognition of the credit department. But there is still much to be done.

The credit manager who loves his work and who has no one dependent upon him is often willing to make the necessary monetary sacrifice and stay in the profession. I believe, however, that just as some clergymen are forced by economic needs to seek more remunerative labors, so many credit managers of the younger generation (to which I belong) are being drawn away from the fascinating and very important field of credits into other fields where the remuneration is higher. It is my fervent hope that as time goes on and the professional quality of credits is better understood, the material rewards will increase.

We cannot expect those rewards to increase, either in individual cases or on the average, unless we build up, through the full use of our energy and brains, a reputation for the credit profession.

It is up to each of us to be worthy of our profession and also to neglect no legitimate opportunity to show the vital work that is done, in good times and bad, by a credit department that lives up to its great possibilities.

Bankruptcy Law Amendments

Bill Introduced as Recommended by Organized Credit Men

By *W. Randolph Montgomery*

Counsel, National Association of Credit Men

THE Bankruptcy Committee of the National Association of Credit Men, in collaboration with similar committees of the American Bar Association, the Commercial Law League of America, the Merchants Protective Association of New York City, and other organizations, has agreed upon a bill to amend the Bankruptcy Act which if enacted into law will strike what it is hoped will be a successful blow at many of the evils which have grown up under the present law.

The bill H. R. 8119 was introduced in the House of Representatives by Honorable Earl C. Michener, of Adrian, Michigan, a member of the Judiciary Committee of the House, and an able champion of a sound and conservative program for the modification of the law.

It is not proposed in this article to reproduce the amendments *in toto* but any reader who is desirous of examining a copy of the amendatory bill may obtain it by addressing the office of the National Association of Credit Men, 41 Park Row, New York.

The more important amendments may be classified for the purpose of this article under the following headings:

Those which are:

- (I) Directed at evasion of the Bankruptcy Act;
- (II) Designed to cure the evil of the collusive petition;
- (III) To prevent fraudulent compositions;
- (IV) Rendering it more difficult for a dishonest debtor to obtain a discharge;
- (V) To strengthen the criminal provisions of the Act;
- (VI) To promote and facilitate cooperation between creditors.

I.—Evasion of the Bankruptcy Act

It is proposed to amend the law so that there will no longer be any uncertainty as to whether or not so-called "Massachusetts trusts" may be adjudicated bankrupt; and another and most important amendment to clarify Section 3 (a) 4, so that the original intention of this subdivision may be carried into effect, making the appointment of a Receiver in Equity in the Federal Courts or under the State laws *during insolvency* an act of bankruptcy. If adopted, this amendment will have the effect of correcting the present abuse of equity receiverships of corporations which are insolvent according to the Bankruptcy law definition, and will put a weapon in the hands of the creditors to prevent the granting of excessive fees to favored receivers and attorneys such as would never be allowed were the estate administered in bankruptcy. This proposed amendment is not a new departure

but was the original intention of the framers of the amendment to this Section in 1903.

II.—To Cure the Evil of the Collusive Petition

An amendment is proposed which will make it unnecessary to file schedules with a voluntary petition in bankruptcy, placing voluntary and involuntary bankruptcy petitions precisely on the same basis with respect to the schedules. That is, under the amendment proposed, schedules are to be filed in the case of an involuntary bankrupt within ten days after adjudication, and in the case of a voluntary bankrupt within ten days after the filing of the petition, unless in either case further time is granted. The object of this amendment is to destroy the justification now offered by bankruptcy practitioners for the filing of collusive or so-called "voluntary-involuntary" petitions, to wit, that the preparation of the schedules is a long and arduous task, and that the filing of a voluntary petition is not possible in the great majority of cases because quick action is necessary, and the matter cannot safely be delayed until schedules have been prepared. If this amendment be adopted there will no longer be any apparent excuse for the filing of the collusive petition.

III.—To Prevent Fraudulent Compositions

One of the greatest obstacles to honest bankruptcy administration has been the practice which has prevailed since the amendment to Section 12 (a) of the Bankruptcy Act which permits the offering of terms of composition before adjudication. This section of the Act now provides that upon the filing of an offer of composition, action upon the petition for adjudication shall be stayed. The result has been that an offer of composition has been filed, resulting in an automatic stay of any further proceedings on the petition for adjudication, and delay after delay has been obtained on one pretext or another, while the estate meanwhile has remained in the hands of the bankrupt without any adequate supervision or control. If the composition is finally approved, under such circumstances, perhaps no harm results; but if the composition eventually fails, the experience of creditors has been that the estate has been eventually turned over to the Trustee after having been systematically depleted by the bankrupt, and all evidence of concealment of assets effectually destroyed.

The amendment which proposes to cure this evil is the simple proviso that action upon the petition for adjudication shall not be delayed upon the filing of an offer of composition, except that the Court for good cause shown may in its discretion delay such action upon such terms and conditions for the protection of, and indemnity against loss by the bankrupt estate as may be proper.

Another important amendment which comes within the above classification is that proposed to Section 64 (b), to the effect that where the confirmation of composition terms has been refused or set aside upon the objection, and through the efforts, and at the expense of one or more creditors, the expense of such creditors in opposing such composition shall be entitled to priority in advance of the payment of dividends to creditors.

IV.—Discharge

Amendments to the discharge provisions of the Act, (Sec. 14-b) have been proposed which will make it obligatory on the Court to refuse a discharge if it be proved that the bankrupt has destroyed, mutilated, falsified, concealed or failed to keep books of account or records from which his financial condition or business transactions might be ascertained, unless the Court deems such failure or acts to have been justified under all the circumstances of the case; or, if the bankrupt has obtained money or property on credit, or obtained an extension or renewal of credit, by making, or publishing, or causing to be made or published, in any manner whatsoever, a material false statement in writing of his financial condition.

The obtaining of a discharge in bankruptcy within six years, whether as the result of involuntary or voluntary proceedings, has been made a bar to discharge, and the very excellent provision of the English Bankruptcy Law, has been adopted virtually verbatim, placing it in the discretion of the Court to refuse a discharge if the bankrupt has failed to make a reasonable explanation of any losses of assets or deficiency of assets to meet his liabilities.

The conferees have approved, furthermore, a proposal to shift the burden of proof to the bankrupt to show that he is entitled to a discharge if, upon the hearing to an objection to discharge, an objector shall show to the satisfaction of the Court that there are reasonable grounds for believing that the bankrupt has committed any of the acts which would prevent his discharge.

The foregoing amendments to the discharge provisions of the Act should commend themselves to creditors generally, and there would seem to be no valid objection which could be raised against them except by dishonest bankrupts or their counsel. The right of the honest bankrupt to obtain the discharge to which he is justly entitled is in no way modified or curtailed.

V.—The Criminal Provisions

The more important amendments to the criminal provisions of the Act are those which increase the maximum period of imprisonment under Section 29 (b) from three years to five years; extend the period of limitation for prosecution of bankruptcy crimes from one year to three years; and make criminal for the first time the concealment, destruction, mutilation,

(Continued on page 28)

Help the Doctor!

Increasing the Curative Work of Credit Protection Fund

By William Gregg

MANY physicians say that most of our ailments arise because we do not know how to prevent them, and that ailments become disastrous because we do not know what to do about them when we have them.

The same condition exists in the business world.

There are many business men who do not take the proper precautions in pre-

dicting statements. Look up a prospective debtor's history more than five years back. Find out how many years he has been in business.

(4) Obtain, nationally, experiences of ledger information about a customer through Credit Interchange Bureau.

(5) Determine whether or not the customer is endorsing notes for other persons.

(6) Where possible apply to a man's trade association and his bank for

drawn from the fund, but from the per capita dues of the National Association of Credit Men.

The following typical cases were investigated and followed through to a conviction by the Credit Protection Department:

Rialto Cloak & Suit Co., N. Y.; two debtors sentenced to 3 years and each fined \$10,000.

Credit Protection
Doctor : National Association of Credit Men

RX **Patient** ----- *Any Credit Man*
Address ----- *Anywhere*

DOSE: *At least one of the 12 inclosed ingredients with each order: and the 4 antidotes for poisonous fraudulent attacks*

venting the commercial crook from doing his crafty work, and they do not know what to do after they have been defrauded.

The Credit Protection Fund of the National Association of Credit Men, which will soon approach the \$2,000,000 mark, is being spent to help the business man who suffers losses through credit frauds. But it cannot operate satisfactorily unless business men assist the work of the Credit Protection Department. Besides, if the business man's assistance is feeble, the extra effort falling upon the department, will waste money that might otherwise be spent for additional cases.

Credit executives interested in the work of the Fund must help. By helping yourself to keep out of tangles with commercial crooks, you will help the Fund. When you do become ensnared, you still can help with evidence properly prepared and leads for investigation to build up the case to its greatest strength.

There are twelve ingredients in the cure for commercial fraud. They are a dozen general principles that every credit manager should know, but which they sometimes overlook. I list them here largely for the attention of business men who are not entirely occupied with credit work and for the embryo credit men in subordinate positions in credit departments.

(1) Preserve all financial statements and the envelopes in which they are mailed. Be sure these statements are dated and signed and have the Credit Manager and his assistant affix their signatures to the envelope to provide proof of the receipt of the mail.

(2) Determine whether or not a financial statement is really a financial statement. Round numbers are insufficient to indicate the state of a business. Look behind the statement and see that it tells where the assets are and whether or not it indicates any lien against them such as a mortgage in the case of real estate.

(3) Do not be satisfied with finan-

information.

(7) Check carefully the man who has made compromise settlements.

(8) Check carefully every first unsolicited order. Beware of easy orders, large emergency orders; and avoid carelessness that may accompany speed in checking them.

(9) Watch out for unwarranted orders such as increased orders when business conditions or the season in an industry does not warrant them. Accounts soon pyramid in this manner by orders that constantly increase.

(10) Beware of the man who buys big orders on long time future payments out of proportion to his past sales.

(11) Note whether or not a firm almost consistently fails to have its correspondence and its orders signed or the concern which does not confirm orders by some person in authority.

(12) Watch for similarity of names and stationery. Become familiar with firm names and their characteristic stationery.

If the business burglar should fool you, proceed with dispatch, but also with proper preparation, in calling for the assistance of the Credit Protection Department. Here are four steps in this procedure.

1. Gather all financial statements received from the bankrupt.

2. Communicate with other concerns that you know or believe have done business with the crook and discover whether or not they have any of his financial statements.

3. Gather all facts that have the slightest indication that criminal fraud has been perpetrated.

4. Present all your data to the Credit Protection Department in your district.

In the first seven months that the Credit Protection Fund was in operation there were about

500 cases handled

150 indictments obtained

30 convictions secured

\$100,000 recovered in assets.

This work was accomplished at an expenditure of about \$80,000. About one-quarter of this sum represents overhead or operation costs which were not with-

Norman Creech, Latta, S. C.; sentenced to 18 months.

Superior Service Co., New York City. These defendants received sentences ranging from 18 months to five years probation:—Joseph Horenstein, Samuel Schmuckler, Nat Wilson, Isadore Gerstel, Alfred Tannenbaum, Jacob Weissberger, Abraham Glotzer.

Pete Thomas, Four Rivers, Mass.; sentenced to six months and the two attorneys who connived with him each sentenced to one year.

W. William Levinson, Cincinnati, O.; sentenced to four years and fined \$2,000.

A. Goldstein, Milledgeville, Ga.; sentenced to four years.

Many of the cases here outlined would have been more costly in investigating if it had not been for the able assistance of some of the creditors in supplying the Credit Protection Department with evidence and clues that saved time for investigators and as a result the resources of the Fund.

The Association has a staff of thirty trained investigators and three offices (New York, Chicago, and San Francisco). Besides this the Association has at its call several emergency investigators in numerous regions of the country on whom it can call as occasions demand.

The present policy of the Credit Protection Department is to concentrate upon those cases that are most obviously actionable. Where a case indicates that the complainant is not fairly certain even of the existence of fraud or where he has not taken the trouble to collect sufficient evidence, the Department must necessarily return the case for better preparation and throw its energies into cases that can be speedily brought to a successful conclusion. Such cases have a deterrent effect from which all legitimate business derives a benefit.

Help the doctor to get you well!

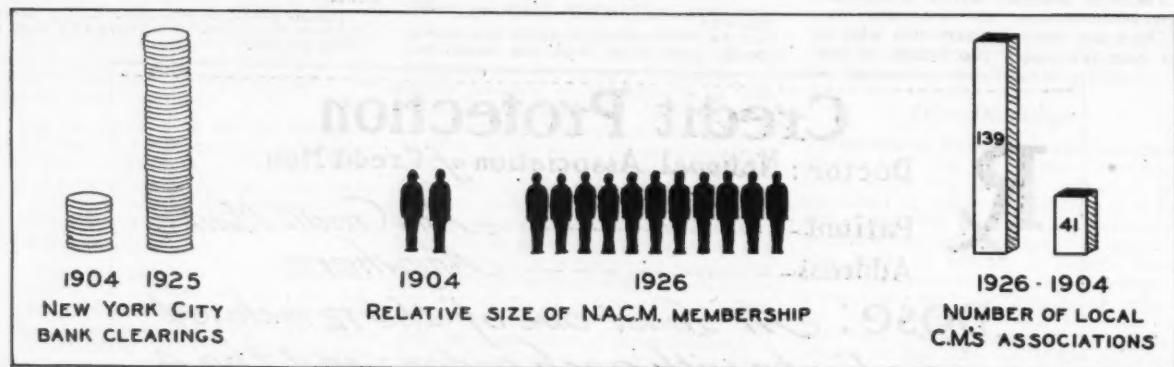
Prepare your case to the best of your ability and the Association will give its best assistance to you.

New York was Host in 1904

The Last N. A. C. M. Convention in Manhattan

By Chas. E. Meek

American Exchange-Pacific National Bank, New York
Chairman, Entertainment Committee, 31st Annual N. A. C. M. Convention



PREPARED for the 1926 Convention of the National Association of Credit Men, to be held in New York City, recall vividly to some of us earlier members of the Association the last of our Conventions held in New York, namely that of 1904. As Secretary-Treasurer of the National Association I reported to that Convention a total membership of 5327—which looks small in comparison with our present membership of almost 30,000.

The population of the city that acted as host in 1904 was under 3,800,000; today it is around 6,000,000. In those days there were about 125 banking offices in New York; there are now 474. The annual bank clearings were about sixty-six billions; in 1925 they were \$283,619,244,637.

The outgoing president was J. Harry Tregoe of Baltimore and the president we elected at that Convention was Frederick W. Standart, of the C. S. Morley Mercantile Co., Denver.

The Committee on Credentials reported a total of individual members and delegates present of 280, of alternates and visitors 144, and of ladies 176, making a total convention attendance of 600. There were 212 votes cast by proxy. Indeed, the Convention, which had many of the aspects of a political convention in miniature, gave considerable time and attention to political association matters. The delegate with the most proxies in his pocket was the most popular man at the Convention and all through the four days there were conferences and discussions leading up to the election on the last day.

Credit Problems Studied

As is usual in all credit men's gatherings, there was a serious consideration of credit problems. Perhaps the most lively debate was on the subject of the comparatively new subject of adjustment bureaus. Printed forms used by credit departments also came in for a great deal of discussion.

The important Legislative Committee in its report covered the Bulk Sales Law, attempts to repeal the National Bankruptcy Act, and legislation regarding false statements sent through the mails.

One of the principal features of the New York Convention of 1904 was the oratory turned loose by various champions of cities which desired to act as hosts to the next convention of the Association. In those days local delegations would often bring along the leading orators of their communities and these silver-tongues would fill the convention hall with iridescent word pictures.

Among the radical changes in New York City since those days may be noted the facts that the automobile has driven horses off of our streets; that Fifth Avenue at certain hours of the day is the most congested street in the world, and that a vast majority of our population travel underground now instead of on the surface as in years gone by. One of the entertainment features was an evening ride on horse-drawn buses, winding up with supper at a roof garden.

There was an all-day trip up the Hudson, during which it was planned to hold a business session. The vessel chartered for this purpose was the ill-fated *General Slocum*, which the day before burned to the water's edge causing the death of several hundred women and children—one of the most frightful holocausts in the history of the United States.

We learned of this disaster at 11 A. M. on the day it occurred. The leader of the 22nd Regiment Band and the caterer, George Kiefer, thought that the excursion of the following day would have to be called off, but we were able to secure the steamer *Rosedale*, a much smaller craft, and by means of unusual efforts on the part of all concerned we were able to carry through our excursion according to schedule.

On the *Rosedale* we were not able to hold a business meeting but there was a strong demand for religious service of some kind. The outgoing President, J. Harry Tregoe, was called upon to offer prayer. There was an atmosphere of tension as we traveled up the broad Hudson, induced by the thought in everyone's mind that we ourselves might have been aboard the *General Slocum* at the time she took fire.

Evening Parade at West Point

After the always unforgettable evening parade at West Point, we witnessed the solemn ceremony of the swearing in of new recruits, a group of lads from every state in the Union, clad in grotesquely ill-fitting uniforms. Their first experience as soldiers. A number of those boys must have been generals in 1918 in the greatest army Uncle Sam ever put into the field.

The Convention was held in the Hotel Savoy, at 59th Street and Fifth Avenue. This is one of the many beautiful buildings that are now being demolished in New York to be replaced by larger and more modern structures.

The Convention wound up with a banquet at the Waldorf-Astoria. As outgoing President of the New York Credit Men's Association at that time, I had ample opportunity to test the degree of cordiality toward the New York Association on the part of the delegates from other cities. I confirmed a belief that I had already held and that I have held ever since. The belief is that among credit executives there is an unusually strong feeling of brotherhood, regardless of what section of the country they may come from or what line of business they follow; and this feeling is manifested in many pleasant as well as utilitarian ways. Speaking for myself, I can say that many of the strongest friendships of my life have had their start at gatherings, large and small, of credit men.



W. H. POUCH
V. P., N.A.C.M.
PRESIDENT, N.Y.C.M.A.



GEORGE H. WILLIAMS
CHAIRMAN
EXECUTIVE COMMITTEE



WILLIAM WALKER ORR
SECRETARY
NEW YORK CREDIT MEN'S ASS'N.

Our
New York Hosts
Executive Committee

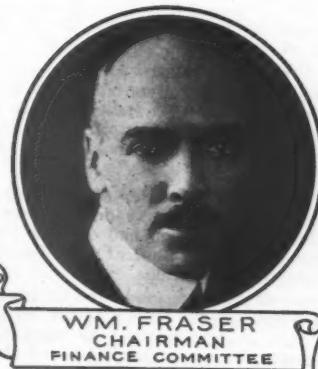
THIRTY-FIRST
ANNUAL CONVENTION

National Association
of Credit Men

May 24-28, 1926



H. C. BAINBRIDGE, JR.
CHAIRMAN
HALLS COMMITTEE



WM. FRASER
CHAIRMAN
FINANCE COMMITTEE



J. O. HOBBY, JR.
CHAIRMAN
RECEPTION COMMITTEE



J. L. MEDLER
CHAIRMAN
PUBLICITY COMMITTEE



JOS. L. MORRIS
CHAIRMAN
SPEAKERS COMMITTEE



CHAS. E. MEEK
CHAIRMAN
ENTERTAINMENT COMMITTEE

Credit Men 60% Salesmen

Policy of Certain-Teed Products Corporation

By *Fred A. Farnham*

General Credit Manager, Certain-teed Products Corporation. New York

A FEW WEEKS ago, a fellow credit manager dropped in to see me and seemed astonished when, in the course of our discussion, I told him—without moving from my desk or referring to any imposing looking file—what our total collections in all branches the day before had been, how this figure compared with the collections of the same day a year ago and with those of a month ago. But he seemed even more astonished when I told him with the same ease what had been the sales in the four lines we sell of our Niagara Falls branch for the day previous and what had been their total credits to accounts receivable that day and for the entire month up to that day and the sales last year for the same period.

"What else can you tell me by a turn of the swivel of your chair?" he asked.

"Well," I said, "would you be interested in knowing what any given firm in any part of the United States owes us at this time?"

"Yes," he said, "if you can do it without pressing a button, tell me what the Bibble Contracting Company, of Ross, California, owes you. I should think they would be on your books."

It was merely a matter of referring to a sheaf of sheets in my desk drawer to tell him that this firm had ordered from us goods in the amount of \$450, but this amount was not yet due.

Since all sales are made and credits extended through our branch offices, my visitor was at first inclined to think that the instantaneous availability of all these financial statistics was some kind of "efficiency stunt"; but, as a matter of fact, our Credit Department would not have been keeping pace with the constant growth of our business if we had not been able to develop, as the sales and manufacturing departments went ahead, methods which would permit a complete and detailed analysis of the company's financial situation at any given moment.



FRED A. FARNHAM

better start at the beginning, instead of at the conclusion.

As far as credit is concerned, we have five branch offices in the United States—East St. Louis, Niagara Falls, Chicago, Philadelphia, and Richmond, California. These may operate for several sales offices. Every credit manager has a map showing the states, counties and towns in his territory, and a loose-leaf book from which he can tell instantly whether a town or county is in his district or not. This book also indicates the Sales Manager and salesman handling each town.

When an order comes in, it goes, after being written up, to the registration clerk who registers it under a register number and sales number, and enters the customer's name and address and date of order. Later, she puts in a remaining blank the date of shipment. Each day's order numbers, I might add, begin with the number of the month, day and year. For example, the first number on March fourth would be 3-4-26.

The order then goes to the Credit Department. If the account is an old one, entry is made on the corresponding credit card; and the agency ratings, credit limit, if any, and the number of the last order, if the order was received within the last three months, are all noted on the order, which then goes on to the Shipping Department.

Orders from new customers are laid aside until the others have been handled, and then taken up for consideration. After investigation, which includes usual methods, a temporary credit limit may be allowed or the orders may be placed in the "Orders Held for Credit File," until sufficient information is obtained to warrant a decision.

All our Credit Managers are instructed that if, after investigation, credit cannot be O.K.'d or satisfactory shipping arrangements made with the customer within three weeks, the order should be cancelled, and the customer, the Sales Department and the salesman so notified. If

A credit reference file card, showing ratings, time, credit limits, terms and other information, is made out for every new credit account and placed in visible credit file, where it can be referred to instantly. Records of each order are kept on auxiliary cards (actual size of each card, 6 x 4 inches).

Certain-teed Products Corporation											
Statement of Past Due Accounts											
NAME	TERMS	Rating	for Date	NET DUE	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	In hands of	Suspect	Monthly
					Past Due	Past Due	Past Due	Past Due	Attorney	Debtors	Grade

Open accounts are entered on this statement and whether an account is less than thirty or over ninety days past due can be seen at a glance.

there is any advance in prices, the Credit Department goes through all orders in the "Hold" file and takes out orders affected, either securing customer's permission to ship promptly under satisfactory arrangements or cancelling order.

In extending credits, our managers are advised to follow a policy rather than rules. The policy is this: We are building a permanent and growing business, and we want customers of the same kind on our books. We are not so much interested in one order as in establishing another outlet for our goods; we are concerned with a man's prospects and what his relationships will mean to us in the future, and if these give promise of being valuable, we must help him, if necessary, to build up his credit.

In other words, the credit men must have the sales point of view. Our credit executives are 60% salesmen, and they think in terms of sales opportunities. Their final judgment after studying ratings, the salesman's reports and general reports, is based on the question: What is good business in this case?

But now to get back to the routine again. When a new account is accepted for credit, a card is made out and put in the visible credit file which is the type of file used throughout all our offices. This card, as shown in the illustration, shows ratings, time and credit limits, terms and other information, and provides a space for yearly volume totals. An auxiliary card keeps the records on each order.

Where a credit limit of more than \$1000 is decided upon, the facts and material in the case are referred to my office for approval or credit suggestions. If everything is satisfactory, the material is simply returned to the branch for its credit files; if it seems advisable to reverse the local credit man's judgment, this can be done before the goods are shipped.

While we do not keep any credit information on individual accounts here in New York, the correspondence files contain a summary of the situation wherever special cases have come up.

Now, as to the reports which keep me in almost as close touch with all our credit departments as if they were settled on the next floor, I shall try and point out how simple they are.

Reports from Branches

1. Daily Sales and Collection Statement.

These reports are made up by the local bookkeeping departments at the close of every day, a task which can be done very quickly with the speedy, key-driven calculating machines which are used for figuring. Notice the recapitulation at the bottom of the form, and you will see how quickly I can tell whether or not a branch's collections are in proportion to its volume of sales.

The statements are not brought to my desk every day necessarily, but are used by the detail man of the Treasury Department to keep his statistical analysis filled in every day. Several times a month, I glance over this detailed sheet and get a comprehensive picture of what every branch is doing.

2. Monthly Credit and Collection Summary.

This form I devised after long experimentation as being the most readable way to compress a mass of detail, but you see the full beauty of it only when you look at a sheet filled out. From this report, I can instantly tell what outstanding notes

the branch holds, whether due or not due, and particulars of them.

An account of orders lost account of credit is given, and this can be checked with the memoranda which are mailed in whenever an account is turned down. Should there be too many instances of this, I may make a trip to find out whether the salesmen are wasting their time or the Credit Department is failing to build up accounts where there is a chance.

The standing of the suspense account is given, an estimate of collections for the month, total number of orders registered, number of special reports called for, and an account of credit trips, as well as other figures which you can observe in the illustration.

3. Monthly Past Due Statement.

The name of this form is slightly misleading, for the statement includes all open accounts, whether due or not. It is from this report, I can ascertain what the balance of Smith Company in Trotville, Missouri is, and whether it is less than thirty days or over ninety days past due.

These reports I keep at hand, but I need only to keep the current statements, so the records are not voluminous.

4. Monthly Suspense Account Reports.

As soon as an account becomes bankrupt or is placed in the hands of an attorney, or when it appears doubtful that the full account will be collected, the Bookkeeping Department has instructions to transfer the ledger sheet to the "Suspense Ledger," in the back of the S-Z Ledger. Regardless of the situation, we do not like to keep in our active ledger any accounts more than four months overdue, although we have hopes of eventually collecting.

Every month a list of Suspense Accounts is sent in to the general offices, showing total debits and credits and how much of the balance the credit manager expects to collect. With this sheet is a memorandum sheet setting forth what has been done toward the collection of the account during the month and, if it seems useless to make any further attempts in this direction, recommending that the balance be written off the ledger. I may say that the losses in our Suspense Account over a period of years are negligible in comparison with total sales.

DAILY SALES AND COLLECTION STATEMENT.			
St. Louis, Mo. 1926			
Sales this day	Roofing Products	\$	
1926	Paint and Varnish		
	Linoleum Products		
	Gypsum Products		
Total			
Sale Previously Reported	Roofing Products	\$	
	Paint and Varnish		
	Linoleum Products		
	Gypsum Products		
Total			
Sales this Month to this Day	Roofing Products	\$	
	Paint and Varnish		
	Linoleum Products		
	Gypsum Products		
Total			
Sales last Month to this Day	Roofing Products	\$	
	Paint and Varnish		
	Linoleum Products		
	Gypsum Products		
Total			
Sales last Year, this Month, to this Day	Roofing Products	\$	
	Paint and Varnish		
	Linoleum Products		
	Gypsum Products		
Total			
Collections		\$	
Checks and Cash Received this day and deposited			
Dividend			
Total Credits to Accounts Receivable this day			
Previously reported			
Total Credits this month to this day			

These reports are made up by the local bookkeeping departments and forwarded to the home office at the close of each business day. (Letter size.)

General Office Reports

From the daily reports sent in by the branches, the detail man of the treasury department makes up a daily report for this department. The forms, which are mimeographed here in the office, record the day's bank balances, notes payable, if any, bank reconciliation, and an analysis of accounts receivable from all branches. Total billings and collections for the month are shown, leaving a statement of accounts receivable up to the present date. I keep on my desk these reports for two months or more and for the same period last year.

Should our president come into my office and ask, "What are our assets in accounts receivable now?" I could tell him from these statements as of the day previous. Should he then say, "How does this compare with our position a year ago?" the answer would be in front of me.

The statistical analysis sheet, which I have already mentioned, is made up in our general offices and is a resume, which is checked against all other reports, of sales and collections of every branch every day as the month progresses, with comparative figures for the same day last month and the same day a year ago.

If any noticeable disproportion exists between billings and collections, it stands

out, and I can follow it up; or else I have the figures before me to indicate that at the same season last year collections were off, pointing to a recurrent lapse, which is not of great importance. If there seems to be a falling off in some particular territory, I look up weather reports, or investigate through banks and other sources to find out the reason for disturbed credit conditions.

Our branch credit managers, through a regular system of daily reports, are kept currently posted on local affairs as I am on general affairs. Every morning, there comes to the credit executive's desk a statement showing him the exact situation as to billings and collections at the close of the previous day. On this statement appear overdue accounts and all accounts maturing that day. This does away with the necessity of a tickler file, and avoids the likelihood of any things being overlooked.

Follow-ups begin the day an account becomes due and usually continue at intervals of ten days or oftener, until the sum is paid or until sterner steps have to be taken. Since there is a difference of opinion among credit managers as to form letters, I think it may be of interest to add here that we do not believe in form letters. There is naturally some similarity of expression in collection let-

ters, especially the first reminder letter, but each one is personally dictated and typed. We want our customers not to think that the request for their check is merely automatic, but that we are fully conscious of their delinquency and are watching for payments.

Before following up any collections, the credit department checks correspondence against the ledger, and a notation is made on the binding margin of the ledger sheet indicating the date on which customer was written to. This is initiated by the person looking after the follow-up. Reference to the ledger will then show under what date correspondence is filed, and what total efforts have been made to clear the balance.

Sometimes, anxiety over settlement can be allayed by getting guarantors to protect debts to us up to a certain amount; sometimes, it is advisable to take the debtor's note. Our policy on notes is very clearly set forth in a manual for the guidance of our credit men. We ask them to remember that notes are not to be taken unless there is a distinct advantage to be gained. While a note is always indisputable evidence in the event of a suit, ordinarily a statement of the account properly sworn to is sufficient evidence.

The statement provides a mass of details, including information on outstanding notes, whether they are due or not due, and particulars; accounts of orders turned down; standing of suspense accounts; collections; orders registered; number of special reports called for; account of credit trials, etc. (Actual size, 17 x 14 inches.)

DAILY REPORT TO TREASURER		
102		
Today's Bank Balances	Deposits Enroute	Notes Payable
Chase Nat'l.		Chase Nat'l
Commerce		Commerce
Phila. Nat'l.		Phila. Nat'l
Chicago		Chicago
1st Nat'l.		1st Nat'l.
State Nat'l.		State Nat'l.
Mer. Laclede		Mer. Laclede
California		California
		Total Banks
		Com'l. Paper
TOTAL	TOTAL	

Bank Reconciliation		Accounts Receivable	
Yesterday's Bk. Bal.		Accts. Rec. on 1st of	Final
Adjustments		Billing	Not
		1st of to	Final
Deposits Rec'd.		Billing	1st of to
Money Borrowed		Collections	Not
		1st of to	Final
Less Usual Disb't.		Collections	1st of to
Less Notes Paid			Final
Total Today's Bk. Bal.		Accts. Rec. to date	

These reports are mimeographed in the office of the Company. They are kept on the Credit Manager's desk for a period of two months, with those for the corresponding two months of the previous year.

If, however, a company is sound or a reliable endorser attaches his name, and if it is certain that a note will insure collection sooner than if the account remains open, then it is advisable to take notes.

When we permit a customer to settle by notes, we take the stand that we are extending a material accommodation and can fairly claim the right to name terms and conditions. I am convinced that notes taken for a balance due should be for as short a period as possible. Ordinarily, it is better if the amount is divided up into small sums payable at frequent intervals and covered by instalment or series notes, providing in event of default on any instalment that the whole amount shall become automatically due. However, there are different laws in various states concerning notes, and these must be studied to determine the most advantageous form for any one note.

Another duty of our Credit Department is the collection of overdue discounts. Small amounts incorrectly deducted by the customer as cash discount may be ignored at the credit manager's discretion,

but we suggest to him that a discount is given only to obtain a quick return on the sale and does not accomplish the purpose for which it is allowed, unless it is received within the proper time.

The entire credit system of our company has been built up somewhat gradually during the past ten years, and has had to adjust itself from time to time to the expansion of the business. Not only our business but all business is being conducted on a vaster scale than ever before, and that is why bigger methods and greater precautions are necessary. The National Association of Credit Men is working in this direction, I am glad to say.

As I wrote William Walker Orr, the able new Secretary of the New York Credit Men's Association recently, the Credit Men's Associations are giving valuable service to their membership through the Interchange and Adjustment Bureaus, and also through the Credit Protection Fund, which is helping to bring to justice many of the commercial crooks of the country.

HIS FIRST LETTER

Can you judge him by it?

By John H. Woodhull

Winter Bros. Co., Wrentham, Mass.

IN A RECENT issue of the CREDIT MONTHLY the question was asked "Can we judge the customer by his first letter?" My answer to this question is as follows:

If the country merchant—or the city one—is middle aged or elderly and has been in business a long time, neat penmanship would lead me to extend a small line of credit. Of course if he amounted to much he would long since have gained enough business to type if he wanted to—and certainly to have a rating in Bradstreet's or Dun's.

If your merchant is a young man—good handwriting avails nothing with us. *No young man today can afford to waste his time learning penmanship.* It is of no value in modern business. We depend on the typewriter and the adding calculating machines. We cannot afford to pay even a cheap clerk to push a pencil or a pen.

In our own case we use a purchase order in triplicate—and it is written in pencil. None of our executives write even passably—but we get what we want, if only it must be legible. If the Credit Man felt like shying at our order form a glance at Bradstreet's or Dun's would make him feel O. K.

The only thing that counts in extension of credit is a *terse statement of facts that can be checked up.* Beyond that we know that most men mean well. And if a man means well he can be persuaded to supply information in advance or cash in advance. In fact most would be small debtors only need to be asked definite questions. They are willing and anxious to do the right thing. But beautiful handwriting, a readable signature, correct order blanks—they mean little.

There are many men without credit rating who are as good risks as many of those rated. Further we believe that the rating agencies stress too much the past—too little the important question—is a man improving as a risk—or otherwise?

Hamilton Fish on Credit

LEFLAX quotes the following credit maxim, attributing it to Hamilton Fish:

Why did I trust that man,
Why, oh why, oh why?

He wasn't worth a —

My, oh my, oh my.

If I'd called the credit bureau

I'd have known the truth for sure,
oh!

Why did I trust that man,
Why, oh why, oh why?

Can your Credit Department tell you accurately and without delay the condition of your near-by and far-away customers?

The Credit Monthly's 1926 series of articles describing important credit departments aims to tell its readers how these concerns control their credit and sales information. Watch for the next issue. It may help you solve one of your problems.—The Editor.

Underwriters and the Public

Much Desired Improvement in Relations is Noted

By W. E. Mallalieu

General Manager, National Board of Fire Underwriters

IN A famous decision rendered some years ago, the United States Supreme Court held that insurance is not a commodity and that it is, consequently, subject to the regulation of the various states.

In effect, the different commonwealths are separate masters, and, it may be said, the man who tries to serve two masters has a sinecure in comparison with the business that finds it necessary to satisfy forty-eight sovereigns, plus the District of Columbia, almost everyone of whom has differing ideas concerning regulation. As a result, what is legal in one state often is exactly opposite in a neighboring state. Where one says "Do," the other cries "Don't."

Since the attitude of law-makers is supposed to reflect the sentiment of their constituencies, the restricting statutes that have cropped up from time to time have been looked upon, usually, as barometers of public opinion—the combined feeling of the public toward the insurance business.

For years the public relations of the fire insurance companies have been a matter for discussion among insurance company executives. Even before the organization of the National Board of Fire Underwriters in 1866, the attitude of the public toward insurance organizations, as reflected by the multitude of investigations and legal enactments by legislators was a source of concern. The lawmakers had found that there were votes to be gained when they harassed underwriters, or other so-called "big business" organizations, and consequently they brought about investigations by legislative committees.

Such inquiries do not seem to be as popular as they were a few years ago; but, nevertheless, the solons of some of the states still use the device for what it is worth to them. The trophies of such fishing trips have often surprised the political Nimrods responsible for them, and, in a number of cases, they have resulted in highly favorable reports approving the activities of the maligned underwriters and commending the manner in which fire insurance functions.

More common than investigations are the multitude of fire insurance bills introduced in the legislatures, including numerous taxation measures, the total in some years running as high as 2,500. The insurance business is so interwoven with the public welfare, that it is always in danger from three sources—politics, revenge and misguided zeal.

Over-Regulation Resented

The intrinsic nature of the business and its popularity as a victim of legislative shadow-boxing, naturally have caused it to be subjected to unusually stringent restrictions. The fire underwriters have never objected to fair regulation that safeguards the public, but they quite humanly find over-regulation unwelcome. As a matter of fact the constantly augmented restrictive measures have increased the cost of fire insurance protection to the public—the "ultimate consumer" who, of necessity, pays the bill.

A great deal of excessive legislation, insurance company executives concluded a few years ago, has developed because the public has not understood the functions of fire insurance and the service that it renders the country. And, furthermore, they decided that the way to a better understanding lies in wide-spread education. The problems of the business in the financial and administrative branches have been pretty well mastered, but the human angles of the situation are only in process of solution.

and, while this is an unconscious tribute to the reputation and stability of stock fire insurance, it is, nevertheless, partly responsible for the fact that the business is frequently looked upon as an impersonal effigy that supplies, in some mysterious manner, out of unlimited resources, protection against the consequences of fire.

Agents do not as a rule advocate the purchase of insurance from any specific company, since they usually represent several, and are accustomed to apportion their risks in accordance with the dictates of their agency operations. The matter of agency relations with the underwriters, as well as public relations, also has received attention by the National Board of Fire Underwriters, which suggests that it might properly be said that fire insurance has two publics to serve—its 150,000 agents and the public at large.

Insurance as Security for Credit

As it exists today, fire underwriting is the result of evolution extending over a period of 260 years. That it must supply a necessary service to society in a satisfactory manner seems obvious, and, in truth, it has become inextricably interwoven with the social and industrial fabric of the globe. As a matter of fact, a world without the institution of fire insurance—particularly stock fire insurance, which supplies the great bulk of the protection against catastrophe—is not to be imagined. It furnishes security for credit and thus permits commercial operations in destructive communities. Without this safeguard business activity would be of only pigmy proportions—the modern volume of trade could never have developed. The great cities of the world, which are the outgrowth of commercial activities, could never have been built except for insurance, because no one would lend money on unprotected real estate or on commodities that might be destroyed over night.

In providing indemnity for loss by fire, the insurance business creates a peace of mind for both the home owner and the business man that is psychological, yet it is none the less real, definite factor in national and individual progress. The investments of the insurance companies are of major importance in financing industry which, in turn, provides employment for millions of persons. The insurance business contributes heavily to federal, state and local taxes, and, in fact, is one of the most heavily taxed businesses in existence.

Furthermore, stock fire insurance maintains the chief fire prevention services of the country, for the insured and uninsured alike, and this ultimately redounds to the benefit of the public by adding to safety of life, reducing taxes and lowering the cost of protection. On this last point it should be noted that the average fire insurance rate in the United States has decreased from \$1.04 in 1913, to 89 cents last year for each hundred dollars of coverage, despite tremendous advances in the cost of commodities and in all the items that go to make up the expenses of the fire underwriters.

(Continued on page 26)

CREDITS AND INSURANCE

ESPECIALLY as creators of insurance business among their debtors, credit executives have a deep interest in seeing that the insurance companies continue to deal justly with the public and that the public, through State and Federal legislatures, deals justly with the companies.

It is a satisfaction to learn from this authoritative article, written at the request of the *Credit Monthly* that progress is being made in the relations between the insurance companies and the public. — *The Editor.*

As is true of all great industries dealing with the people at large, the public relations of fire insurance are of vital importance. For a number of years the National Board of Fire Underwriters has been quietly improving the relations of the companies and the public by its public service activities; but only since 1916 has the Board been broadcasting, by publicity media, the story of the service rendered by fire insurance. Publicity of a proper, educational nature always improves the public relations of the enterprise or corporation concerned; often it operates most effectively by indirection and becomes cumulatively more and more effective. In this instance, mistaken ideas implanted for more than two centuries have to be uprooted; that progress in this direction has been made is indicated by the more favorable attitude of most newspapers as well as by various committees of individuals and business organizations.

Compared with Credit Work

Of course, in the field, are the local agents and adjusters who by their personal contacts with the public can improve or mar public relations to a tremendous extent. They can, with a few ill-advised remarks, destroy the constructive work of the printed word or they can multiply many times its beneficial influence. These representatives of fire insurance are in a position somewhat similar to that of the credit manager who can make friends or enemies for his concern by his method of extending or refusing credit.

The public, for the most part, buys its fire insurance without asking for a policy of any particular "brand," so to speak,

Mother and Three-Year-Old

A True Credit Story With a Happy Ending

By *Samuel J. Schneider*

Manager, Adjustment Bureau, Louisville Association of Credit



ON THEIR FEET AGAIN, AFTER THE ADJUSTMENT BUREAU HAD LENT A HAND

A YEAR ago Mother, who runs a neighborhood store, had little or no cash in the till and was owing \$2,846 to a number of creditors, some of whom threatened to close up her place and throw her into bankruptcy; Father was in a serious physical condition on account of heart trouble; and Three-year-old was in danger of losing her home, although all that he sensed was a growing sadness and anxiety in the two people he loved the most.

Now, however, the picture is a very much happier one, because of the energetic work of the Adjustment Bureau of the Louisville Credit Men's Association and the attitude of a group of credit men who were not only executives but human beings.

Mother had been able, with a very small investment and without a background of business training, to keep her little dry-goods store going. From the income of this business she was able to maintain the family of three. Although it was hard sledding from the first, she was too proud to call upon her relatives for aid.

Mother was unfamiliar with the ratio that should exist between the volume of sales and expenses and she found that her creditors were more and more insistent. About this time there was held a meeting of creditors in another case and someone mentioned Mother's store. Several of those present were interested and suggested that the Adjustment Bureau should make an investigation and recommend the best course to pursue.

On paper the situation seemed hopeless. But the Adjustment Bureau representatives calling on Mother immediately

realized that she was a woman of high character, although lacking in capital and capacity, and that she, worried on account of her invalid husband and her baby, was endeavoring bravely to solve her problem. As, through her tears, she told her story to the representative, he determined to aid this estimable woman in every possible way and to show that the anatomy of an Adjustment Bureau included not only a brain but a heart.

In checking over her books the Bureau found that there were twenty creditors with an indebtedness of \$2846. A meeting of creditors was arranged without delay and all the facts were placed before them. All were agreeable to an assignment to the Bureau except one creditor, (not a member of the Credit Men's Association,) who insisted on immediate payment of his claim of \$686 and threatened suit immediately.

Pressure on the Pressing Debtor

This creditor had visited the debtor before the meeting and had threatened to close her store unless some arrangement was made at once to take care of his account.

After considerable discussion in the meeting it was made plain to this pressing creditor that he would not be permitted to obtain a preference over the other creditors in any way. When he realized his position he rather reluctantly consented to co-operate, provided some immediate action was taken.

Assignment was made to the Bureau; and its representative then paid a personal visit to all of the local creditors not represented at the meeting. In a short

time unanimous approval of all creditors was obtained to the assignment of the Bureau.

Forty-four Per Cent Paid

Realizing that the business could not be operated at a profit on the old basis, and desiring greatly to save the store for Mother, the Bureau after several conferences was able to interest a relative who deposited with the Bureau a sufficient amount of cash to pay all creditors 44 per cent of their claims. This was a considerably greater amount than could have been realized through liquidation.

There was then no difficulty in obtaining the acceptance of all creditors and the store is now in the full possession and under the management of the brave woman who came so near bankruptcy.

Mother has acted on a number of suggestions made to her by the Bureau representative and has thus improved the appearance and the arrangement of her stock and is buying more carefully and at the present time making increasing profits. She declares that she is a very happy woman and is warm in her thanks to the Bureau and the credit managers who made it possible for her to get out of her business difficulties honorably. She has already materially reduced the loan.

The photograph herewith shows Mother and Three-year-old in the doorway of the store. When the picture was taken Father was at work on a brand new, eighteen-dollar-a-week job, which he was able to secure because of his improved physical condition. This improvement is to be attributed in part to the fact that the heavy load of anxiety has been lifted from him and his good wife.

Cuban Conditions

The Situation as Export Credit Managers See it Today

By W. S. Swingle

Manager, Foreign Credit Dept., National Association of Credit Men

THE importance of Cuba as one of our leading export markets and the many current reports regarding credit and collection conditions in the Island have led the Foreign Credit Department of the National Association of Credit Men to make a survey of the present situation which is the first series of investigations of conditions in foreign countries to be conducted by that department.

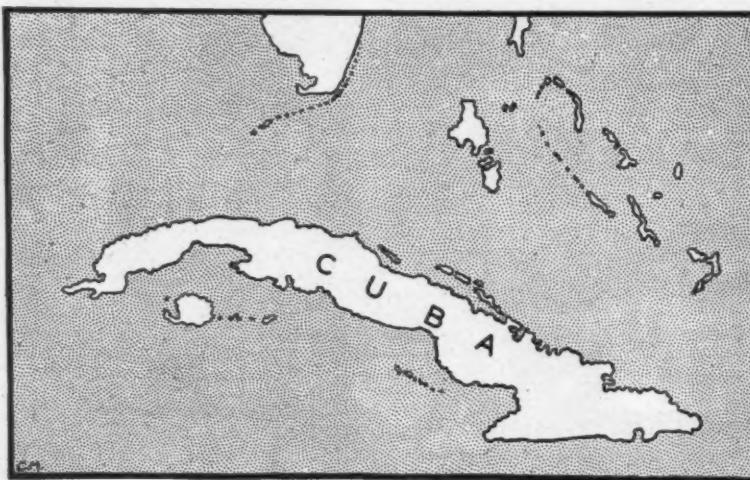
In answer to a questionnaire sent out to a part of the membership of the Foreign Credit Interchange Bureau, sixty-five replies were received from

members prominent in various industries such as Drugs, Food Products, Automotive Products, Office Supplies, Household Supplies, Paper, Steel and Metal, Textiles, Wearing Apparel, and Hardware and Paint.

In commenting on the future in Cuba from a credit standpoint, the replies pointed out that evidently the situation must be handled with care and a painstaking investigation made of accounts in the Island. While it is generally considered that the future will show improvement, this cannot be expected immediately and the final result will largely depend upon the price situation of the sugar crop. There is a rather general feeling that conditions in the Island will be considerably worse before improvement can be expected.

The unsatisfactory Cuban bankruptcy laws now existent are considered a decided obstacle to proper business relations. It is pointed out that there is a lack of confidence from a credit standpoint due to the fact that foreign creditors do not have sufficient protection under the present Cuban laws. The inability of merchants in Cuba to obtain proper legal recourse makes for a lowering of the general business morale, and tends to make evasion of payments easier. As soon as all merchants in Cuba realize that it will be to their advantage to see that ethical practices in business must be followed and line up behind efforts to improve conditions, business will have a better outlook.

In considering the danger point which may be looked for in the coming year, although there is a minor feeling that the situation is satisfactory and will continue on this basis, nevertheless the production and price of sugar is undoubtedly a paramount interest for the coming



A FRIENDLY NEIGHBOR—OUR NEAREST OVERSEAS MARKET
Key West is as near Havana as Chicago is to Milwaukee

year. As Cuba is largely a one-crop country, general, real prosperity cannot be expected until the sugar price is sufficiently above the cost of production to allow for a reasonable profit. The low price of sugar has caused poor business conditions in the interior which have reflected back to the larger centers; and while increased consumption of sugar may bring about better prices and possibly in the late summer or fall contribute to more satisfactory conditions, the situation must be carefully watched.

Labor Disturbances

It is also pointed out that the continued labor disturbances would seriously affect the situation, and furthermore that the lack of complete liquidation of obligations of several years' standing still operates adversely.

In addition to covering the future outlook and danger point for the coming year the following questions and summary of replies from all industries throw light on the present situation:

(1) *Have your sales to Cuba during 1925 been larger or smaller than during 1924?*

The 64 replies to this question represented about an even balance; 44% indicated larger sales, showing an increase of from 10% to as high as 34%, while an equal number showed a decrease in sales ranging from as much as 5% to 50%. The balance indicated no change in conditions.

(2) *Do you consider collection from Cuba in 1925 to be better than during 1924 in percentage of sales made and in gross amount collected?*

Almost 50 per cent of the 62 replies showed that collections had been worse or at least no better during the past

year, and only 25 per cent reported that collection had improved. The balance, 28 per cent indicated that collections were on virtually the same basis as the year previous.

(3) *Are your present receivables from Cuban accounts greater or less than at a corresponding time in 1924?*

Of the 60 replies received, 46 per cent indicated that present receivables from Cuba were less than in the corresponding period the year previous. However, only a small portion of this amount was thought due to better collection conditions; a majority felt that this could

be attributed to a smaller amount during the year. Of the balance, 41 per cent felt that receivables were correspondingly larger because of increased sales, and also because of slower receipts from collections.

(4) *As far as you know, do you consider stocks now carried by Cuban merchants to be normal, or above or below normal?*

The replies clearly indicated that stocks were either normal or below normal, as only 5 per cent held that the stocks in their line were greater than usual. Merchandise in stock in the Island was considered below normal by 49 per cent, and the balance, 46 per cent, believed that normal stocks were being carried.

(5) *Have failures in Cuba which have come to your knowledge during 1925 been greater or less than during 1924?*

The majority of the 31 replies to this question indicate that no losses had been suffered from failures of debtor merchants during the past year; and one-half of the answers indicated that failures in the Island had been considerably smaller than the year previous. An increase in failures had been noted by 20 per cent, and about one-third of the responses showed no change in this situation.

The replies as given above comprise such a variety of industries that a reclassification has been made according to trade groups. This is given below with the consensus of opinion expressed in each case:

In the Paper trade, sales during 1925 were smaller than during 1924, collections balance off about equally, with one-half reporting that improvements had

(Continued on page 36)

Organization of Production

Second Article in Credit Monthly's Series on Economics

By *Bernard Broudy, B.S., M.B.A.*

Assistant to Director, Department of Education and Research, National Association of Credit Men

I Hope You Read Last Month's Article

THE Credit Monthly series on Economics began last month. The first article was so well received that we are more than ever convinced that even the busiest credit executive finds time to read articles of this fundamental character.

The Credit Manager of a large manufacturing and distributing company wrote that "the magazine should make, during the present year, a most important contribution to the development of the younger generation through its economic articles and to our generation through the detailed outlines of credit department operation."

The Credit Manager of a nationally known house long affiliated with the National Association of Credit Men as well as with the Retail Credit Men's National Association says: "The first of the series on Economics and the description of the credit methods of the Eastman Kodak Company were particularly interesting and of value. I think that it would be exceedingly profitable for the members of the Retail Credit Men, local and national, to get on the subscription list of the CREDIT MONTHLY."

This series parallels the correspondence course of the National Institute of Credit of the National Association of Credit Men, whose enrolled students get the benefit of printed lectures, special criticism of problems and tests and a text book.

If you did not read the article last month and cannot locate your January number, we will do our best to supply another copy.

—THE EDITOR.

LAST month's article dealt with the value and importance of economic study, and the division of labor. In the latter section was told how specialization is the principle on which the entire organization of industry is based, how specialization has brought us to a point where machines and laborers are useless and helpless by themselves, where firms make only a fraction of an article, where industries can operate only by co-operating with other industries. The different workmen in a shirt factory must have their work so fitted together that there results a steady output of shirts. On a larger scale, the production of shirts must be fitted in with the production of shoes, clothing, food, and other things. Each process in a factory must be co-ordinated with every other one. Each industry must be co-ordinated with the others.

But the co-ordination is an unconscious process in that the specialists themselves are seldom conscious of it. It is not the combination of effort that occurs on a good baseball or football team, but more like the separate particles of water that combine under the compulsion of external forces to form a stream.

This process is called the Organization of Production. It involves the problem of bringing together the right elements in the correct proportions. Like the division of labor, it is relatively uncontrolled and unregulated.

How then is this co-operation secured? Clay, in his "Economics for the General Reader" says: "It is secured by a further application of the principle of spe-

cialization itself, by the existence of a class whose work it is to organize this co-operation. Side by side with the growth of specialization in the processes of production, there has grown up a class of men whose business it is to link these specialists together and to make a working organization of them." These organizers correspond generally with the class called "business men" in this country. They see that the specialized laborers are collected and supplied with the necessary tools, equipment and raw material. Society relies on the knowledge and skill of her "captains of industry" to see that the right number of workers are supplied with the right amount and kind of capital, and that they are kept working regularly and harmoniously with the minimum waste of time, energy and material.

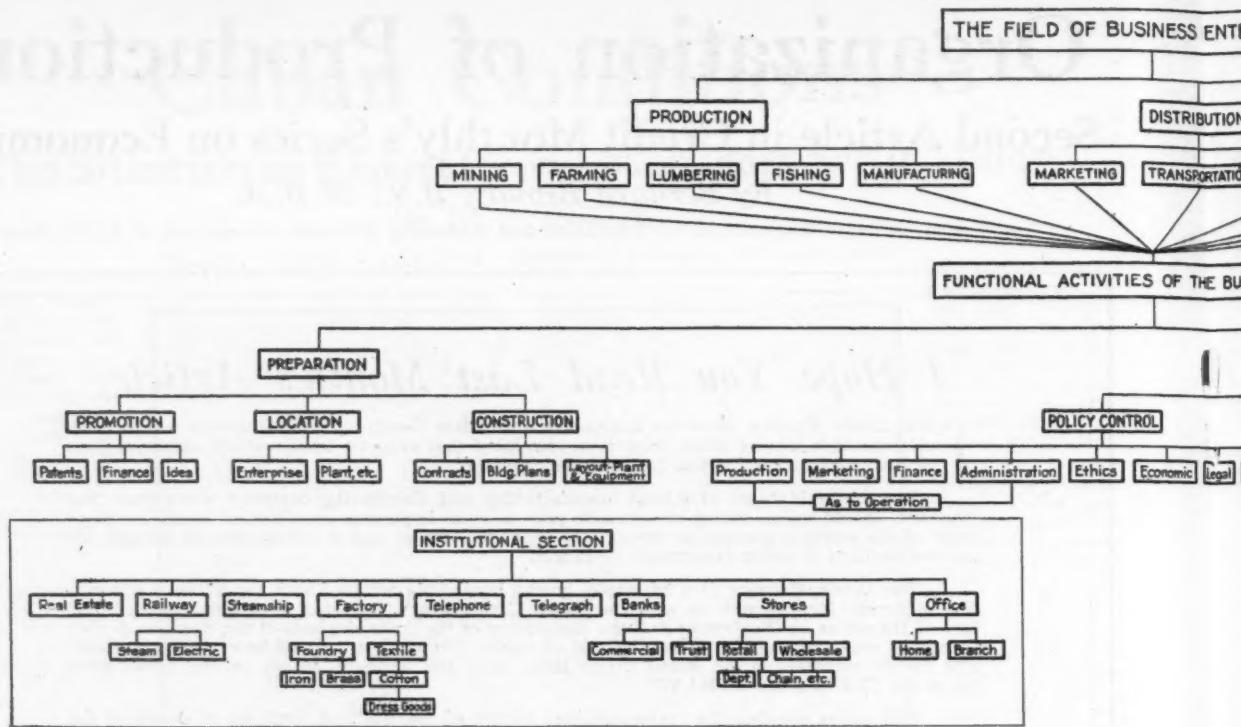
But the division has caused gaps not only among workers, but among firms, and among trades. The organization of firms and trades into the immense productive mechanism that gives us a two-dollar-and-a-half shirt made of Australian wool and Southern cotton in a New York factory has to be done by another class of organizers, the merchant or middleman class, that specializes in getting co-operation between widely separated firms.

Middlemen Necessary to Production

Popular conception sees little similarity between merchant and manufacturer. The organizing work of the latter is recognized, but that of the former is overlooked. But in actual business, the

special functions of the two are seldom quite separate; both are organizers, and in the real sense, both produce. The merchant buys commodities that are usable and sells them where they are wanted. Without his collecting and distributing work, the commodities could not be considered entirely "produced" as they would not be in the places where they could be used. In some cases, lately in an increasing number of cases, the manufacturers have done their own distributing; some of them always have done so, but in most trades there is a specialist, a merchant, to do it.

Clay says further in speaking of the nature of the middleman's toll: "The middleman stands between producer and consumer, but not to obstruct; if his profits are a toll, it is a toll levied not at a toll-bar on an otherwise open road, but a toll for the use of a very necessary bridge. It would be impossible for the consumer as a rule to order directly from the innumerable producers who co-operate in the production of the simplest article; it would be extremely difficult for the producers always to find the person who wants their products—even if any producer could perform the impossible task of identifying in the finished article his particular contribution to its making. The middleman helps both; for the producer he finds a market, for the consumer he finds out what he wants and gets it for him. If the shopkeeper's customers had to go direct for everything they wanted they would never get half their wants satisfied: so the shopkeeper collects and stocks all kinds of things that they want and lets them have



Courtesy of the Ronald Press Co., N. Y.

them at the time and in the form and amounts in which they want them.

"In effect the middleman, whether merchant or shopkeeper, goes into the world of business, and says to the producer, 'Tell me what you produce and I will find you the man that wants it'; to the consumer, 'Tell me what you want and I will get it for you.' He saves both producer and consumer trouble; his profits are the charges he makes.

"With the growth of modern industry, the middleman's work has become vastly important. Buying in the cheapest market and selling in the dearest, he is performing an important part in the organization of industry. A thing is dear where it is wanted, it is cheap where it can be produced easily; the middleman therefore encourages production where production is cheap and discourages it where it is expensive, and at the same time directs goods from the places where they are wanted less to the places where they are wanted more.

"Commerce equalizes the supply of goods in the different parts of the world; a few cents a yard on the price of cloth will divert an order from one country to another, a cent on the bushel of wheat from one continent to another. The localization of industry is largely the result of the action of middlemen, and their function is a necessary function in an industrial organization which enables the consumer to have delivered at his door the products of every country, obtained where they are produced most cheaply."

System of Free Enterprise

The method of selection and payment of these organizers of production is an important question in social economy. A few are appointed by the state; in this group are the organizers of railways in Germany and British public utilities.

In a few cases the organizers are cooperative associations. Many more are selected by capital in the form of large corporations. The shareholders (capitalists) elect the directors who do the chief work of organizing and appoint subordinate managers to do the subsidiary work. But by far the greatest number of organizers are simply self-appointed. Under our system of free enterprise or *laissez faire*, anyone is free to set himself up in any business or profession he desires. "If he succeeds, he shall have the profits of his enterprise; if he fails, he and the people who have dealt with him shall bear the loss, for he will become a bankrupt."

The chief advantage of the system of free enterprise lies in its flexibility in production. Every new development in industry or commerce has found somebody ready to exploit it. The rapidity with which the automobile and the more recent radio have been taken up and expanded into important industries are illustrations of this flexibility. Organizers have been free to experiment and adopt any legal methods they found advantageous; they have searched out defects and uncovered needs, in the satisfaction of which businesses have been established and a network of trade connections spread over the world.

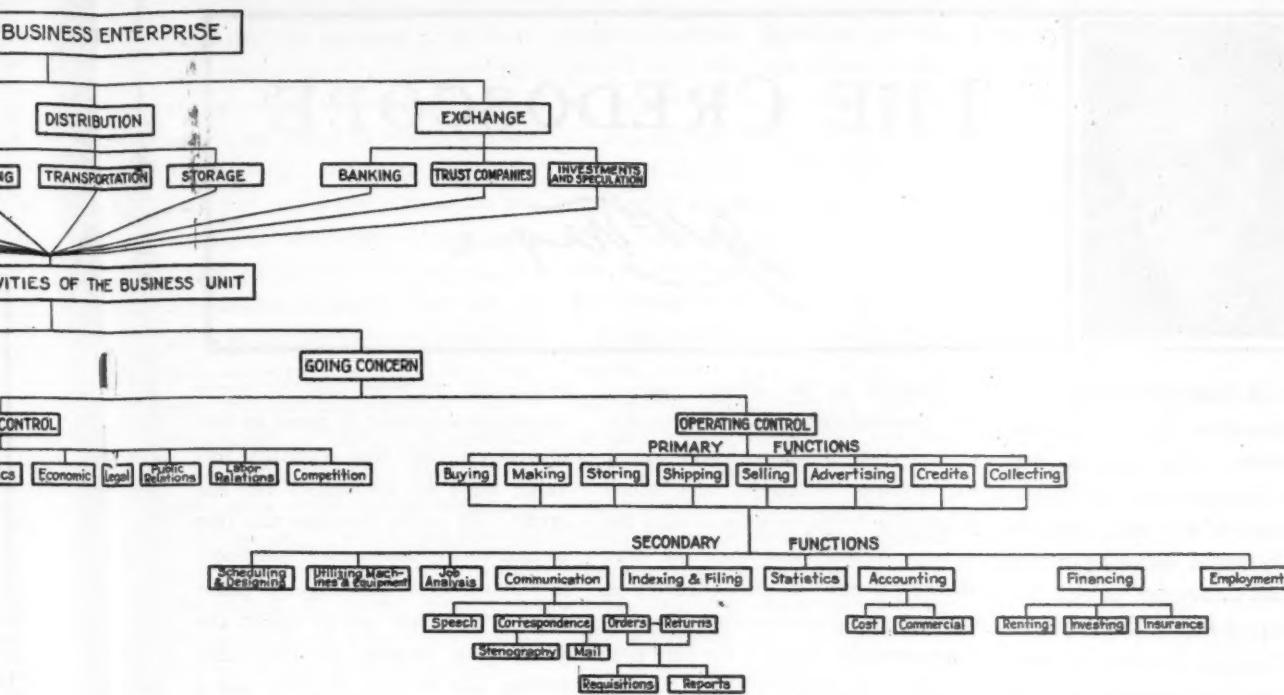
This system partly overcomes the chief defect of the old time "system of monopoly" in that production is responsive to demand, and individuals are free to experiment with new ideas in production without waiting for guild or government authorization. But the reform is only half way. Obstacles to individual initiative are cleared away but little is done to create opportunities for initiative. The negative privilege of free enterprise should be supplemented by "positive facilities at the public expense for research into processes of production, methods of organization and openings for

trade. The system has removed obstacles to the appointment of the most suitable people to the organizing posts of industry and commerce without making provision to insure that they shall be appointed."

Notwithstanding this defect, a large number of men have worked their way up from the ranks to the top, and an even greater number of firms have been founded by men who have risen from the ranks. Corporate form of ownership has given opportunity to men of ability who had not sufficient capital to originate their own businesses. It is obvious, however, that the best men are not in every responsible post, and that there are incompetent men in many important positions. Hereditary succession has given us many of the incompetents. A father may take his son into his business and attempt to train the son to succeed him, with little or no regard to his fitness for the work.

Class feeling or prejudice is another defect in the selection of organizers. The so-called "upper classes" who control industry sometimes seem unwilling to give the workingman a fair chance. Unless the latter has exceptional ability, the "upper class" man of less ability will frequently surpass him because of the influence which his social position carries. This is more evident in Europe than in America, but even here it is important enough to merit consideration.

Inequality of opportunity, however, is due mostly to inequality of wealth, since some capital is necessary to start in any business. Of course, people of ability who have no capital are frequently able to borrow it; but the person who has capital originally has the advantage and a better opportunity for success. The tendency today, however, is for salaries to displace profits as a means of paying organizers.



Speculation and Insurance

To revert to the example (the manufacture of a shirt) that Clay uses: "We enter a shop, pay two dollars and a half, and a shirt is given to us. The shirt is the product of the labor of hundreds of people, the materials of which it is made were drawn from two or three continents, the machinery required to make it took months to construct; yet we get the shirt without waiting. For us to get it, the shopkeeper must have stocked shirts, for him to do so the wholesaler with whom he deals must have stocked shirts, for the wholesaler to do some one must have manufactured shirts, some one must have manufactured the dannel from which they are made and the thread with which they are sewn, and further back still, some one must have made the machinery with which all these manufacturers of work. That is to say, in anticipation of our want of a shirt, a complex organization must have been at work for months and perhaps years before we announced our want. It has been shown that a special class of organizers exists to connect the specialists up into one productive machine; we see now that these organizers do this work, *not in response to our demand, but in anticipation of it.*"

The shopkeeper has to estimate how many shirts, and other articles, he must keep on hand to supply the demand. The manufacturer produces on the basis of an estimate of what the demand will be. Some goods are produced to order, but the great majority are produced before being sold. When an estimate is wrong, somebody has to bear the loss. Somebody has to undertake the risk when the estimate is made. The consumer bears part because he may not get what he wants, or may have to pay a higher price for what he does get; the worker bears part because the price he can command for his specialized services may drop; but

the chief risk is borne by the class of organizers mentioned before. They suffer the biggest loss if the production estimate is wrong, but on the other hand if it is correct, or if they have had something produced that the consumer wants, they take the profits. That is their pay for the risks they have assumed as well as the goods they deliver. The amount of their profits depends as much on the correct anticipation of demands as on their skill in organizing the factors of production. The term *entrepreneur* is given to anyone who undertakes, with its accompanying risks, production for the market.

Along with the risk that the estimate of demand may be wrong is the risk that something will happen to the supply of the commodity after production has begun, bringing the completed price down below the cost of production. The first risk arises because specialization takes time and production must anticipate demand; the second risk arises because supplies of most of the important raw materials are irregular and seasonal. The best way to eliminate these risks would be to produce to order only, and to carry a reserve store of materials sufficiently large to smooth out natural irregularities in supply. Any student of economics can see how that would be impossible under our present system.

Benefits of Speculation

When we speak of *speculation*, we think of manipulations in the stock and commodity markets. The speculator estimates or forecasts or guesses whether price is going up or down, and buys or sells accordingly. If, for example, he thinks that wheat will be scarcer and higher in a few months, he will buy a quantity of wheat which he will sell later. His purchase will tend to put the price up. His sale later will increase

the supply on the market and tend to bring the price down. Thus the action of a great many speculators will tend to equalize prices over a period, and in so doing perform an economic good. Of course prices are not equalized, due in part to the fact that some of the speculators guess wrong; but fluctuations are kept down and radical price changes are the exception rather than the rule.

All businesses do not share equally in the assumption of risks. By the use of a *contract*, a manufacturer will agree to furnish a certain quantity of his product at a certain price, thus leaving someone else to bear the risk. The spinner and weaver do not usually make up materials until the order is received. Then the raw materials are bought and work started. The risk is passed on to someone else. "The use of contracts enables one of the great drawbacks of specialization, namely the risks which it introduces into business, to be counteracted by a further application of the principle of specialization, namely, the specialization of dealers to the work of anticipating and bearing those risks." These men are the much maligned middlemen.

Another method of meeting risk is by insurance. If the risk is regular enough for the loss to be calculated, the cost can be distributed over a period of years by small regular payments, which can be charged to the cost of production. While a great many unusual contingencies can be insured against,—fire, death, accident, tornado, bursting boiler, burglary, plate glass breakage, exceptional bad debts, and so on,—the chief risks of business cannot be subject to actuarial computation, and must be met by the specialized instinct of the business man.

Next month, the third article in the *CREDIT MONTHLY* series on Economics, of which this is the second, will discuss capital, competition, monopoly and combination.



THE CREDOSCOPE

J. V. Tregoe

Credit Statesmanship

Statesmanship is both an attitude and an action. The term is used usually in the legislative and executive fields, but it will aptly apply to all lines of human endeavor where attitude and action are joined for the attaining of high ideals.

In the Nation's history, the outstanding statesman, in my opinion, was John Marshall, who determined upon a construction of the Constitution that would build a strong central government and to that end never wavered even when the vituperation and personal attacks would have daunted a weaker soul.

In the field of credit, there are many opportunities for statesmanship. Credit is not a ball to be tossed about by the whims of people or to be lightly used. Credit is the ally of modern commerce which helps, above all things, to keep industry busy, people employed and capital increased. It is a body of fundamental principles, and statesmanship may be recognized in him who perceives, among the fundamentals of credit, co-operation as the most important and follows the conviction in the face of popular theories.

Statesmanship in credits need not be confined to credit managers. It can just as well be found in the fields of production and sales where the manager has the credit sense and recognizing the direct relation of credit to wise production and distribution.

Consider at the present moment the tremendous volume of credits passed along in the ordinary course of business. Consider how much larger the credit volume is than the money volume, and then we may realize the need of statesmanship in driving out those invasions of credit fundamentals, which is the best preservative of prosperity.

Temptations are very strong to use masquerades for credit as a sales pressure, to do many things which have always in the past ruined our prosperity and brought us to grief. Unpopularity may be the price of credit statesmanship, but we can afford to be unpopular in a good cause and when recognizing that after a while the unpopularity will be changed into praise.

Hold fast, therefore, to sound doctrines. Stand for the right things, practice and defend co-operation as one of the leading rules of the game, and see if it is not possible to cut down the curves of the business cycle by helping to keep the overzealous from injuring our prosperity.

* * *

The Proper Uses of Credit

Production can be kept at a high peak, the consumption market may be vigorous, but if the high peak production and consumption occasion too great a strain on credit and do not conform to the proper uses of credit, flare-backs can be expected and progress stayed.

Credit is primarily intended for

productive purposes and its users should always have in mind its elemental principle that sometime real value must be exchanged for the credit. If credit becomes too thin so that its liquidation is jeopardized, productive and consumptive processes are thrown out of order, the wheels stop turning, unemployment ensues, and we are resolved into a crisis or something worse.

I am amazed at times that so small a proportion of our industrial leaders and financiers understand the element which consciously or unconsciously measures the success of their activities. Because credit is not sufficiently known in all of its elements and proper uses, surface appearances are accepted as a token of prosperity or sluggishness, and oftentimes it happens when everything seems to be moving serenely and production is at a high peak, the curtain is about to fall because credit was improperly used.

Every crisis, disturbance and panic that have dotted our industrial history were caused primarily by the abuses of credit. People went too far with the existing credit facilities. They thought it easy to create obligations and everything seemed favorable to their acceptance, and they failed to see that some time the peak would be reached and there was nothing but a downward course.

As a good gospel for 1926, nothing could be more patent to its pros-

perity and the evenness of its business courses than to have our men of industrial and financial affairs respect the gospel of credits and understand that it cannot be played with fast and loose without an unsettling of conditions. It may seem rather presumptuous on my part to talk in this empirical way and include in the plea for good credit uses those who are recognized as our business and financial leaders. "Out of the mouth of babes and sucklings come forth words of wisdom," applies with equal appropriateness to this plea, and if we can get our men to recognize leadership, to follow the gospel of sound credits, we should be saved many ills and make our prosperity more permanent.

* * *

Credit Protection and Financial Statements

We have all along felt that the knowledge of our large Credit Protection Fund would cause some debtors to hesitate who had planned to carry off the spoils. The "getting away with murder," as the defrauding of creditors is frequently termed, was a comparatively easy game and yielded quicker and bigger results to the devious mind than plugging away year in and year out for merely legitimate profits.

Obtaining generous shipments or loans on false financial statements has been one of the favorite ways of defrauding creditors. Proving the falsity of the statements and going through the turmoil and trouble of uncovering the fraud has too often deterred the despoiled creditors from doing anything more than accept the pittances offered them with a groan. Now a Richmond has appeared in the field. Our Credit Protection Department is standing in defense of receivables and will work relentlessly when convinced that a commercial crime has

been committed. Instances are reported since the Department began to operate where debtors rather than take the risk of feeling the hand of the law and spending a little while in prison to reflect upon their misdeeds, endeavored to adjust their affairs with creditors and get through with whole skins.

I calculate that in the large cities where commercial crime has abounded a great saving to business through prevented failures has run into large sums and in the country over several millions have been saved which otherwise would have gone on the ash heap of keen regrets.

Watch closely, we urge, the financial statements you receive in the course of your credit work. See that they are properly prepared and do not show on their faces a mere approximation or guess. The sanctity and the service of a financial statement have had a real uplift through our protective work and instead of feeling a discouragement over obtaining proper financial statements, the credit fraternity should take on a new impulse to make the giving of the financial statement more general than now obtains.

The effectiveness of the Credit Protection Department will be greatly aided by the carefulness of credit departments in the building up of evidence and records which will loan themselves to the quick establishment of crime where investigations are undertaken. While the work is very onerous and exacts a high degree of skill, yet it is already proving efficacious. There is no telling what dividends there will be in prevented failures and a higher morale through this vigilance and relentless activities.

* * *

Who Holds the Bag?

The psychology of a person attracted by the lure of possible wealth is interesting. Reason in such a

situation is usually cast to the winds and uppermost is the fascinating impulse to swallow the bait offered by shrewd promoters. All along the human pathway are the bleached bones of investors who tried the alluring path merely to find it a desert without an oasis.

As one of the principal factors to keep us steady in 1926 and not waste our store of credit is good, practical judgment in appraising speculative offers. When the public is in a congenial frame of mind to buy almost anything, shrewd promoters will acquire business enterprises, preferably those well known, attach a hose to the reservoir, and when filled with all the water they can possibly hold sell shares in the recapitalized enterprises based on future expectations. Whether or not these expectations are realized does not trouble the promoters after they have succeeded in exchanging water for real money. In some rare instances we admit that water has been churned into milk where the enterprises were being operated conscientiously to this end, but in most cases value shrinks as the water evaporates.

We have a real interest in keeping the people with whom we deal from falling under the spell of short-cut proposals. We have an interest in preserving the credit reservoir from unwise attacks. We have an interest in seeing that proper precautions are thrown about the natural speculative tendency of people and in protecting them from being forced to pay with wrecked lives or fortunes for their experience.

The courses of 1926 will be far better and offer more substantial prosperity if we are led to keep away from dabbling in highly explosive speculative ventures.

This is one of the lines of procedure that we can follow in the great task of *Preserving Prosperity*.

Three Blue Ribbon Men



MARVIN W. CLARKE
Adjustment Bureau Manager



WILLIAM WALKER ORR
Secretary



THEO. J. DOEPKE
Interchange Bureau Manager

The New York Credit Men's Association has the distinction of having as its three principal paid executives three men each of whom is regarded as being at least 75 per cent. efficient and therefore entitled to wear the blue ribbon of secretarial efficiency. Credit Association secretaries of at least 50 per cent. efficiency are rated as red-ribbon and those of lesser rating as black-ribbon men.

Mr. Orr and Mr. Clarke are known to readers of the CREDIT MONTHLY. Of Mr. Doeple it may be said that, before managing the Memphis Credit Men's Association Adjustment Bureau (1919-1925), he was for 16 years connected successively with Bradstreet's, with the Wm. G. Moore Dry Goods Co., Memphis, and with the Credit Clearing House. He got his business college training at River Forest, Ill. He is married; is fond of fishing and music, and likes to read books and articles relating to credit and the mechanics of organization.

N. Y. in National Interchange Securing Access to Files in all Affiliated Bureaus

FOR E M O S T among the vital developments in the field of credits, and of far-reaching significance and influence, is a decision of the New York Credit Men's Association, joining for a 6-months trial period the New York Interchange Bureau with the system of National Interchange Bureaus, giving a nationwide inter-market ledger clearance service. Following closely upon the introduction of several distinct features of credit service made available to the members of the New York Interchange Bureau, this step completes a comprehensive, well defined program of natural expansion.

Credit managers are familiar with the conditions that necessitated the establishing of local Interchange Bureaus. These units functioned well, but, operating independently, could not cope with situations brought about through the ability of merchants to draw upon many and varied sources of supply, and through that circum-

CREDIT INTERCHANGE BUREAUS NATIONAL ASSOCIATION OF CREDIT MEN										
Executive Office, 41 Park Row, NEW YORK, N. Y. Member of the Chamber of Commerce, ST. LOUIS, MO.										
The accuracy of this Report is not guaranteed. It is compiled and maintained in good faith from members and sent to you by the Bureau which makes no responsibility in publishing, collecting, communicating or failing to communicate the information so gathered.										
REPORT ON:										Comments
WY CO. 1916 10 '25 888 400 351										
CHICAGO										
SIX	Yrs	8 '25	1261	1050	1050	60-X				
DG	Yrs	Current	701	437	362	60				
										60-75
BALTIMORE										
DG	Yrs	10 '25	1700	1700	500	70				
DG	Yrs	10 '25	4500	1600		60				
C&S	Yrs	Current	3000	3000		DTO-SPEC				
										15-30
TWIN CITIES										
WY	1916	10 '25	888	400	351					
										Prev. by Atty.
PHILADELPHIA										
DG	Yrs	8 '25	37			60				
CINCINNATI	Yrs	8 '25	726	14		60				
DG	Yrs	10 '25	315	50		60				
PGS	Yrs	10 '25	125			20				
CHINA	Yrs	7 '25				X				
DG	Yrs	10 '25	1348	741	241	60-X				
FDP	Yrs	11 '25	45			60				
HOT	Yrs	9 '25	1700	276		60				
CLEVELAND	Yrs	10 '25	1000	760		60				
										30
PITTSBURGH										
DG	Yrs	10 '25	541	541		60				
MISC	Yrs	9 '25	1800	1276		60				
HUNTINGTON	Yrs					90				
DG	Yrs	10 '25	746	31		X				
DG	Yrs	10 '25	1555	1550		60				
DG	Yrs	10 '25	100			60				
MFC	Yrs	8 '25	1000	462		60				
GLS	Yrs	12 '24	60			30				
BOSTON	Yrs	10 '25	70	56	26	60	X			
										60-90
MILWAUKEE-RE ISSUED										
D.G.	Yrs					805				
CONTINUED										

stance to accumulate a list of creditors in other markets. The solution of that problem was brought about through the welding together of the scattered local units, so that an inter-market clearance could be had. The phenomenal growth and success of that movement attests the wisdom of the plan.

Although the national clearance system became operative on March 1, 1921, it has already accumulated in its Central Bureau files, located at St. Louis, over 2,000,000 master cards on debtor merchants in all sections on which are entered the markets in which they are buying.

This represents an extraordinarily valuable source of data that is available to every Bureau affiliated with the National Clearance System. The New York Credit Interchange Bureau, now part of the National system, is in position to enrich its reports through access to the files of all the affiliated Bureaus and they in turn are

(Continued on page 26)

Burroughs

has
Built its
MILLIONTH
Machine

Your confidence in the Burroughs Company has made this accomplishment possible. The millionth Burroughs machine is tangible evidence of your generous acceptance of our contribution to modern business methods. We shall continue our policy of quality and service, which has won your support.

BURROUGHS ADDING MACHINE COMPANY
DETROIT, MICHIGAN

New York
In National Interchange
(Continued from page 24)

going to receive the benefit of access to the entire fund of information in the files of the New York Bureau.

It is common knowledge that a certain class of debtors establishes and maintains a number of satisfactory accounts. Few Credit Departments there are, that have not at one time or other received inquiry after inquiry upon a certain account whose ledger sheet indicated a very satisfactory relationship, and for that reason the debtor invariably chose that house as a source of reference in opening new accounts. The disposition on the part of the debtor to seek new channels of purchases, reflects itself in the inter-market report of the Interchange Bureau. Each succeeding

trade clearance adds to the number of creditors and the total amount of indebtedness, and, having that knowledge, the creditor knows the exact course that is charted both for himself and the debtor.

By means of a clearance covering all markets of consequence, ample opportunity is had to observe the debtor from an angle not revealed by the ledgers of local houses. Because of a settled policy, the debtor may, for instance, determine to take care of local obligations promptly, and compel creditors at other points to bide his time. Further than that, it is immediately apparent whether or not debtor is overbuying, scattering his purchases unreasonably, or placing too large a proportion of orders with new houses—in the latter case adding to the list of creditors already too large to allow for comfort. The accompanying clearance illus-

trates the value of national service as against a clearance of any one of the local markets. It is an actual case, but with the name and city omitted.

Several of these Bureaus, could individually furnish a number of local experiences, embodying information of value. In general application, however, the several experiences manifest definite limitations, which appear the more pronounced as it becomes apparent that numerous other markets also are largely interested in the account, and, as every credit executive knows, it is in the completeness of the "credit picture" that the National Inter-market clearance exhibits at once its strength and utility.

Underwriters and the Public

(Continued from page 16)

Between the upper mill-stone of reduced underwriting income, and the nether one of heavily increased fire losses, which in 1924 exceeded \$549,000,000, revenues have been ground to such a point that the business, as a whole, has reported underwriting deficits since 1919. Income from investments and other lines of insurance has, fortunately, produced a sufficient surplus to maintain the long established strength of the stock underwriting companies.

Fire Protection Surveys

That fire insurance rates are relatively low and are scheduled not by guess work but by experts specializing in rating, and that the business man may reduce his premium expense by the elimination of hazards, are among other facts emphasized by the National Board of Fire Underwriters in its work of improving public relations. Additional points made known, are those relative to the basic importance of fire insurance and the public service work that is being carried on by the stock fire insurance companies, through the National Board of Fire Underwriters, through sectional bureaus, and in many cases directly, by virtue of their own engineering staffs. Also, how the Board's engineers make thorough surveys of cities, without charge, and point out the methods by which fire dangers may be eliminated and general conditions improved so that the municipalities may attain an advanced classification and thus obtain reduced rates for insurance protection. This work goes on month after month all over the United States and clearly brings about greater safety to life, besides aiding the public's pocket-book.

Nor has material dealing with an extremely important truth been neglected—the fact that fire destruction represents an economic loss to society; that *everyone pays his share* whether he does or does not directly carry insurance, and that, consequently, it is to the interest of everyone to suppress fire.

During the War the Board lent most of its engineers to the Federal Government for the purpose of aiding the tremendous work of safeguarding army and navy stores, shipyards, hospitals, cantonments and many other gears of Uncle Sam's war machine, and this was a public service of incalculable value.

Any business so enmeshed with the machinery of social and business life as fire insurance, is of course certain to be subjected to an amount of gratuitous attention from the individuals who are sincere but misguided, as well as from out-and-out demagogues, but it is believed that continued education will prove effective in bringing about public relations that will be generally satisfactory to all concerned.

**IRVING BANK-COLUMBIA
 TRUST COMPANY**

New York

Statement of Condition, December 31, 1925

RESOURCES

Cash in Vault and with Federal Reserve Bank	\$41,638,438.64
Exchanges for Clearing House and due from other Banks	88,106,754.64
Call Loans, Commercial Paper and Loans eligible for Re-discount with Federal Reserve Bank	89,842,196.35
United States Obligations	26,272,556.31
Short Term Securities	30,536,624.30
Loans due on demand and within 30 days	50,874,585.29
Loans due 30 to 90 days	51,351,073.38
Loans due 90 to 180 days	44,847,013.28
Loans due after 180 days	3,385,370.54
Customers' Liability for Acceptances (anticipated \$1,209,825.85)	22,107,812.29
New York City Mortgages and Other Investments	8,509,443.17
Bank Buildings	700,172.75
	<hr/>
	\$454,172,040.94

LIABILITIES

Deposits	\$356,026,068.97
Official Checks	40,711,302.40
Acceptances (including Acceptances to Create Dollar Exchange)	23,317,618.14
Discount Collected but not Earned	938,478.79
Reserve for Taxes, Interest, etc.	1,527,515.93
Dividend payable January 2, 1926	612,500.00
Capital Stock	17,500,000.00
Surplus and Undivided Profits	13,538,556.71
	<hr/>
	\$454,172,040.94

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Bankruptcy Law Amendments

(Continued from page 8)

or falsification of any book, document or record affecting or relating to the property or affairs of the bankrupt; the concealment of property in contemplation of bankruptcy; and the withholding after the filing of the petition from the Receiver or Trustee of any book, document or paper affecting or relating to the property or affairs of a bankrupt.

A new Section is added to be known as Section 29 (e) which makes it the duty of the Receiver or Trustee to report to the Referee any offense under the Act which he shall have grounds for believing has been committed, and if it shall appear to the Referee from such report, or from facts or circumstances brought out in the course of administration, or otherwise brought to his attention, that there is reasonable ground to believe that such an offense has been committed, or that an investigation should be had in connection therewith, with the approval of the Judge, to report and certify the matter to the United States Attorney whose duty it shall be to investigate all the facts, and in a proper case to present the matter to the Grand Jury.

The foregoing proposal is intended to impress the United States Attorneys throughout the country with the importance of prosecuting bankruptcy crimes, and to place squarely upon them in proper cases, the burden *not only of prosecuting but of investigating* alleged offenses against the Act. The importance of this amendment to the Credit Protection Department of the National Association of Credit Men could not be exaggerated.

VI.—Co-operation Between Creditors

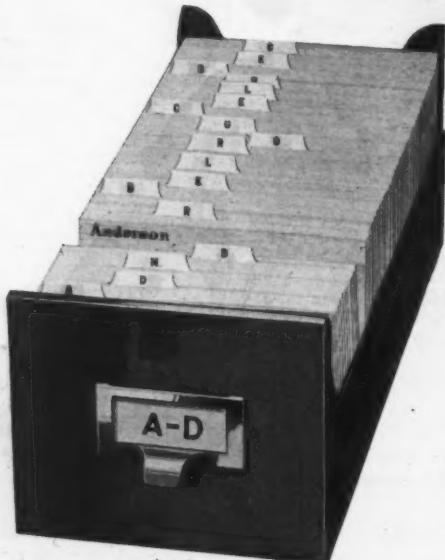
The Bankruptcy Act contemplates the co-operation of creditors in the administration of estates; but creditors are now confronted with the danger of being held liable in an action for libel if they communicate one with another, stating frankly and openly, (as they should be entitled to do,) their suspicions with reference to the conduct of the bankrupt and the need for co-operative action to prevent fraud. Accordingly an amendment is proposed which will make communications by a creditor, Receiver or Trustee in Bankruptcy, addressed to another creditor and uttered in good faith and with reasonable grounds for belief in its truth, privileged.

Conclusion

In conclusion it should be said that the proposals of certain organizations that the principle of creditors' control of bankrupt estates be discarded in favor of the English system, and that estates where the assets amount to \$10,000 or less shall be administered by an Official Receiver have been definitely discarded by the co-operating organizations as unsound, and likely to create new evils rather than remedy the evils which are the subject of complaint. The proposed amendatory bill, approved by the National Association of Credit Men, leaves the creditors in full control of their affairs, fosters co-operation between creditors, makes the obtaining of a discharge more difficult for dishonest debtors, increases the penalties for fraud and dishonesty, and yet interferes in no wise with the fundamental object of the Bankruptcy Act, to wit, the discharge of an honest and embarrassed debtor from the burden of obligations which he is unable to meet.



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High Cost of Slumping Correct Posture Increases Efficiency

By Eleanor Boykin

ONE of the prices we, in this country of hustle and achievement, have had to pay for speed and volume-production and high power methods is unprecedented wear and tear on the human machine. The specialization

ating a typewriter, adding machine, posting machine or other machine which would make demands, hour after hour, on muscles and nerves. Chiefly upon woman, with her delicate physical and nervous mechanism, falls the chief burden of this trying work. Consequently, unless adjustments and concessions are made to physical limitations, high-strung nerves may revolt and phlegmatic temperaments fall into indifferent and lackadaisical performance.

Various efforts have been made by executives to offset these dangers in the path of speed and to maintain an all-day standard of efficiency. The secretary of one manufacturing company discovered that by moving the files at which girls were kept busy all day into a room which could be properly ventilated, he succeeded in abolishing the languid atmosphere which had been distressingly prevalent every day from half-past three or four on. The subject of castors and other devices to make chairs move easily when you want them to is also studied by executives responsible for office efficiency. One large down-town New York bank is now experimenting with the inexpensive plan of serving after-noon tea to the office staff in the hope of getting full measure from the last hour of the day. The partners of one investment banking house have for many years practiced this custom long established in England.

Strangely enough, one most influential factor in maintaining humane and efficient conditions under mechanical driving has been given very little consideration. This is the matter of proper desk and seating arrangements. "A chair is a chair, just so we have enough to go around," has been more or less the attitude of office providers. "If a girl wants a cushion, she can have it or if she wants a chair that will screw up and down, we will get it for her." No thought of the adjustment of nerve-centers and spine to a seat which must be occupied for eight



A posture that may be "correct" in social life creates avoidable fatigue for the worker in a CREDIT DEPARTMENT.

which leads to skill and expertness also results in monotony and over-fatigue, so that employees are tired and dulled and sub-efficient two hours or so before closing time, and even the next day not as fresh as they should be.

When man was created, it was probably never intended that he should sit for eight hours in one position at a desk oper-



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JANUARY 1st, 1925

Assets as of January 1st, 1925	- - -	\$60,654,703.06
Capital	- - -	3,500,000.00
Surplus	- - -	19,810,623.92
All other Liabilities	- - -	37,344,079.14

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hours; no consideration of the posture best calculated whether the employee realizes it or not, to give comfort and endurance in a certain job. Yet posture is important enough to have been the inspiration of a national organization, The American Posture League, and it is often the basis of curative treatments prescribed by chiropodists and physicians. Some of the life Insurance companies distribute signs in companies where they have written life insurance policies wholesale: "Stand erect, sit erect, walk erect," showing the well-considered belief they have in the connection between posture and long life. Furthermore, slumping is without a doubt a practice that causes a considerable loss in the labor item.

Go into an office and look about. You will see a majority of those who are

seated in front of machines sitting on the edge of their chairs, bending their shoulders forward for their work. Their chairs serve only for a seat; they give no support to the body nor do they encourage an upright position which will permit free entry of fresh air into the lungs. Fortunately, there are chairs which have been built to take the strain off the shoulders and back and keep the chest up. They are made to fit the lumbar curve in the spine which is the spot where support is needed if the shoulders are to be relaxed. Sitting in one of these chairs, you do not have to say to yourself, "I ought to sit erect;" you naturally sit erect and without consuming any energy doing it.

You literally sit *into* the chair, because you can do it without getting out of reach

of your work. There is an open space between the back rest and seat which makes this possible.

A chair seat should not be too wide, because, if it is, it presses on the nerve centers just back of the knees and interferes with circulation. Twelve inches is wide enough to take care of the weight comfortably, though the ordinary office chair is eighteen.

Much unnecessary fatigue and discomfort among typists and other office workers comes from having chairs which are not high enough. Indeed, it is sometimes hard to convince a young woman who gets pains in her neck and shoulders before her day's work is over that she should pile books in her chair (if she can do no better). The ideal posture chair must, of course, be adjustable in this respect as well as in the back rest, whether or not it is the swivel type.

A chair built to satisfy all the hygienic principles which have been mentioned is not likely to be an ornamental piece of furniture. Nor is it. That may be why some office managers and office workers are not enthusiastic about it when they first see it. All the various types of health or posture chairs look (there is no use denying it) as if they had been made for deformed people. That is because our conception of comfort and beauty have been warped. See them a little while, and you regard them as the natural thing.

In most of the booths of this year's New York Business Show, these jointed, steel-frame chairs were used by the demonstrators of the various machines, and seemed as much in place as the other office furniture.

Several months ago, E. R. Squibb & Son installed different types of hygienic chairs in their accounting offices and are now using them for replacements in all departments. Asked about results of the change, George Nicol said:

"It would be very hard for me to use any check-up which would determine whether or not production in our office has increased to any extent since we began using the more comfortable chairs. This I can say, that our employees like the chairs and find themselves less tired when their work is over. When the operators are happy, they are doing better work; hence we are satisfied."

In one company, where carefully designed chairs were put in on trial, the typists and clerks declared they would rather pay for them themselves than give them up. The firm bought them and thereafter had fewer lay-offs in the clerical force.

The chairs are well suited to the Credit Manager who does a great deal of desk work. Those executives however who like to loll back in their chairs to read their mail will not find them to their liking, for there has not yet been produced a chair which will insure correct posture and permit reclining as well. The flexible back rest will allow one to bend or lean back at any angle but not to slide down in the seat as in the old spring-seat swivel chair; it is strictly a chair for work.

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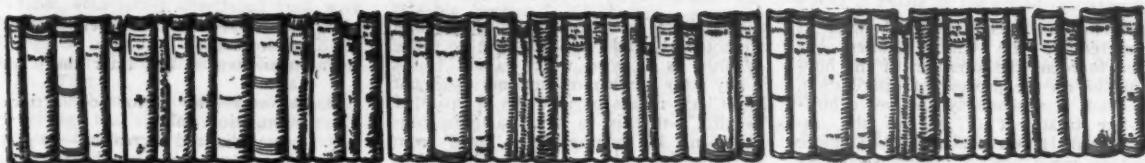
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The Business Library

By Frank A. Fall, Litt.D.

Director of Education and Research, National Association of Credit Men

Accounting Principles

THEORY OF ACCOUNTS—VOL. I. DR
Scott, Henry Holt & Co., N. Y. 1925.
284 pp. \$2.50.

First of all, since this is a workman-like piece of writing, it seems but fair to the author that he should be properly identified. He is professor of economics in the University of Missouri, and "DR" constitutes his first name rather than an abbreviation of any academic title he may hold.

Mr. Scott's book, together with another volume or other volumes that may follow, constitutes one title in the "American Business Series," issued with the Holt imprint under the general editorship of Professor Roswell C. McCrea of Columbia University.

The historical approach to the subject is particularly interesting in connection with that of Mr. Haring's "Warehousing," also reviewed in this issue, for the Italians gave us not only the bonded warehouse and Lombard loans, but also double-entry bookkeeping, which is the basis of all modern accounting.

This system of accounts dates, probably, from about 1340, and the city of Genoa is credited with its first development and use. About 150 years later appeared the earliest comprehensive treatise on the subject, a book by Friar Luca Paciolo, published in Venice. In this book the author had a section "On Computations and Records," in which he presented double-entry bookkeeping as "The Method of Venice." Later improvements in bookkeeping technique can be traced through Italian, German, Dutch and English practice; but many of the later treatises were mere bungling translations or plagiarisms of Friar Luca Paciolo's pioneer work.

Mr. Scott divides his first volume into four parts. The first is introductory, and contains the historical matter already referred to. The second concerns the system of accounts, dealing particularly with the bookkeeping process, accounting for large scale trading, and the voucher system. Part III deals with partnerships, corporate proprietorship, surplus and dividends, reserves, reserve funds and depletion. Part IV discusses inventory valuation of assets, discount valuations, depreciation, special valuation problems, intangible assets and valuation by government authority.

Throughout, the author emphasizes the function of accounts as a means of administrative control, both in competitive enterprise and in the government control of regulated business enterprise. He stresses the fact that accounting principles and technique are inextricably interwoven with the development of economic institutions. Modern business, he submits, could not have progressed without the

development of accounting upon which it depends, and further development of the machinery of control over economic processes will necessarily involve corresponding advancement in accounting.

An outstanding advantage of this book is its compactness. It has less than 300 pages, and the pages have generous margins. This contrast with the prevailing tendency toward large, unwieldy books is refreshing, and will in all probability be reflected in satisfactory sales. Accounting is a weighty subject, to be sure, but it seems inexpedient to add to the load by presenting it in bulky tomes that cannot comfortably be used without an underpinning of oak, cement or structural steel.

A Link in Distribution

WAREHOUSING. H. A. Haring. Ronald Press Co., N. Y. 1925. 787 pp. \$10.

Ten dollars seems a high price for a book,—even for a business book. But the man who wants this volume at all is likely to want it very much indeed, and for him ten dollars may, in view of what he is getting for it, constitute a bargain price.

Warehousing (which is decidedly something more than mere storing) has played an important part in commerce from the time when business, as we now know it, had its beginnings. Commercial warehouses originated in the cities of the Eastern Mediterranean which helped to bring to Western Europe the grains, wines, spices, silks, wool, incense and jewels of the opulent Orient. Venice, having the most ships and the best and largest warehouses, achieved the commercial supremacy of the age. The Venetians, to protect the absentee owners of stored merchandise, conceived the idea of bonding their warehouses. They devised a system of warehouse receipts, which were recognized as "good delivery" and soon came to pass freely from hand to hand among merchants and traders.

From the Italian warehousemen also came another important commercial practice. The Lombards, central Europe's greatest moneylenders, recognized the security of the warehouse receipt as a valid title to merchandise. They had full confidence that the warehoused merchandise would not be altered or taken away without surrender of the proper warrant. The receipts were therefore deposited by the trader with his banker as pledge for a loan. Thus originated the familiar practice of using warehouse receipts as collateral for borrowings. Incidentally, thus originated also the use of the word "Lombard" as meaning a loan for which the security is merchandise in store.

This is history, and it would not be fair to convey the idea that Mr. Haring's work exploits the past at the expense of the present. On the contrary, after fixing the

historical background he plunges briskly into a study of the functions of warehousing as they are found in operation today, centering much of his discussion around the United States Warehouse Act of 1916.

This Act has appreciably improved the standing of warehouse receipts. Throughout most of the States the warehouse-receipts laws are fairly uniform, but there have been large variations in warehousing practices. The State departments have tended to create political jobs rather than to develop responsible, competent warehousemen. Under the Federal Act, the government does not enter the storage business, but supervises the activities of licensed warehousemen. The aim is to end the evil practices that persisted under State regulation and inspection and in connection with unlicensed public warehousing.

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Conference, fostered by the Chamber of Commerce of the United States, has served to focus the attention of the buying public on the process of distribution. This book is a scholarly and yet a business-like treatment of one of the important links in the chain of distribution. It throws much light on a phase of business which is not generally understood, but which deserves to be regarded, with transportation, banking and insurance, as a vital factor in the process of speeding agricultural and manufactured products to their goal,—the ultimate consumer.

Wealth and Illth

THE TRAGEDY OF WASTE. Stuart Chase. The Macmillan Co., N. Y. 1925. 296 pp. \$2.50.

Mr. Stuart Chase is a brave, brave man. He speaks right out in meeting and says things that he knows will bring down on his head the imprecations of many souls,

and doubtless of certain corporations that are popularly understood to have no souls.

"Illth" is a word which is not found in any large number of dictionaries. What Mr. Chase means by it is the opposite of "wealth,"—that is to say, waste in consumption. He borrowed the word from John Ruskin, who was another plain speaker with whom business men should be familiar. Fortunately they are becoming increasingly so as the years roll along.

As Mr. Chase sees the present situation, wastes in consumption seem to fall into these chief classifications:

1. The military establishment
2. Harmful drugs, narcotics and patent medicines
3. Commercialized vice, and crime
4. Adulteration of food, clothing, housing and other necessities
5. Speculation and gambling—the institutionalized factor only

6. Quackery—sure cures, get-rich-quick performers
7. Super-luxuries and their cheap imitation
8. Fashions—the factor of artificial stimulation only
9. Commercialized recreation—in part
10. Professional services—the factor of perversion only
11. Advertising—"a sort of godfather to them all!"

Thus does the brave Mr. Chase line up eleven enemies,—most of them powerful. A man who does that is absolutely certain to be called Quixotic, but that will bother him very little. He doubtless likes it. The work-a-day world, he finds, is not interested in the specifications of illth. It asks, he believes, simply these questions, in the order given: "Is the undertaking profitable; if profitable, is it legal; if illegal, where can I find a good lawyer?" Thus, from the purely business point of view much of his argument, he sadly remarks, is a waste of time.

In spite of the billions we throw away every year, the author admits that there are movements on foot which promise a certain measure of relief. "The studies of Mr. Hoover and his colleagues," he says, "the work of the American Engineering Standards Committee,—the work of the industrial engineer in general,—is laying the basis for wide co-ordinated control, with waste, in technical processes, at least, at a minimum."

The final note is almost cheerful:

"Waste, friction, jam? Yes _____ and what of it? See the way that cornice fits its marble wall, the precision of lintel and arch, the woven steel nicety of the naked skyscraper, the curve and flow of motor bodies, subway trains wild as stamped elephants, yet slowing to the inch mark on the platform. Come, you measurers of lost man-power and let us see you fit one stone upon another, rivet one girder to an upright, direct one rush hour at Times Square! We may waste, but Almighty God will bear witness we can build!"

In conclusion—just a word of caution. If you resent being made to think, it is wisdom to give this business John the Baptist a wide berth.

Thinking in Business

BUSINESS POWER THROUGH PSYCHOLOGY. Edgar James Swift. Chas. Scribner's Sons, N. Y. 1925. 397 pp. \$3.

Here is something of a rarity,—a book on business psychology which is so easy to read as to be actually entertaining. One reason for this, and probably the chief one, is Dr. Swift's persistent inclination to use illustrative anecdotes. These are drawn from many periods and many races. They range from Galileo to Henry Ford, and from Moses down to J. Pierpont Morgan.

In reviewing an earlier book in the field of business psychology, this Department went on record to the effect that the fully efficient credit manager should be familiar with at least the fundamental principles of salesmanship. This for two good reasons,—his close relation to the selling end of the business, and the necessity of continually selling his own department to his executive superiors.

If the credit manager, in his laudable quest for a knowledge of the fundamentals of good selling, feels that he must have a formal statement of cut and dried principles, in categorical form, with each package neatly wrapped, tied and labeled, he will have to go elsewhere, for he will not find these things in Professor Swift's



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book. But if he wants something breezy, readable, abundantly illustrated (not with charts and forms, but with actual happenings in business), he will find "Business Power Through Psychology" made to his order.

The emphasis throughout is naturally on selling, but the book contains much that is of interest for what it reveals concerning business in general. For example, Dr. Swift's statement that "the history of business, as of other things, shows the violent opposition to innovations which all now accept," is illustrated by the following:

"The Federal Reserve Bank system, as most readers of this book will recall, was vigorously opposed by bankers and business men. The writer has before him more than two score of pamphlets and addresses by bankers, men of big business, and economists, all of which 'prove beyond doubt' that the plan will not work. These addresses and pamphlets are marvels of beautiful and convincing arguments. The only objection to them is that when the plan was tried it succeeded beyond the expectations of its most devoted advocates, and today the former denouncers of this innovation would, under no conditions, return to the old system."

That eminently sound statement is significant as illustrating a point in business psychology,—that we dread any change because of the effort required to put it through,—but it is even more significant to the officers and members of the National Association of Credit Men, who did much to bring the Federal Reserve System into being, and are now standing firmly for early action on the renewing for a long term of the charters which will expire in 1934.

The illustration quoted is from Chapter IX on "The Psychology of Leadership." If credit men, and business men generally, would study that chapter carefully and *test it in their business experience* they would find it worth many times what the Messrs. Scribner charge for the entire book, cover, jacket and all.

An Aid to Business Service

RETAIL ACCOUNTING AND CONTROL
Albert C. Hodge. University of Chicago Press. 1926. 545 pp. \$4.15 postpaid.

This is the 24th volume in the "Materials for the Study of Business" series, sponsored by the University of Chicago. In the same series are a number of familiar and useful treatises, such as Moulton's "Financial Organization of Society" and McKinsey's "Managerial Accounting," of which Volume I only has appeared.

Mr. Hodge introduces his work with a discussion of the control problem in mercantile establishments, followed by a general statement of the principles of retail organization. He then proceeds to a study of department store functions and organization, covering standards, records and periodic reports as they relate to department store operation.

The author then indicates the use of estimates in control of merchandising operations, and deals with expense classification and allocation, devoting a special chapter to the National Retail Dry Goods Association expense plan. Chapters follow on retail sales procedure and records; retail purchasing; stock control; manufacturing, alterations and repairs; the shipping division; and the divisions concerned with mail order business, exchanges, and adjustments.

Of special interest to credit managers

are chapters XXI, "The Accounts Receivable Section;" XXII, "The Accounts Payable Section;" and XXIII, "The Retail Auditing Section." There is also significant material in Chapter XXIV, "Cashier's Division."

The Appendix presents four "Cases" for classroom use. The Index comprises three pages only. This is obviously not adequate for a book of 24 chapters and 545 pages, but it appears to be in line with a growing tendency toward shorter Indexes. In the opinion of the reviewer, this is an unfortunate trend from the point of view of the credit manager or business executive, who uses business books for reference on specific points rather than swallowing them whole as the student of commerce or business administration is compelled to do.

Mr. Hodge's book will be valuable to all credit managers who have grasped the significance of what the National Association of Credit Men designates as "Business Service." Many a retail business headed for the rocks has been saved because some credit manager in a wholesale enterprise saw the handwriting on the wall in time to offer his counsel and help to the harassed retailer, who was trying to merchandise without knowing the simplest principles of retailing.

In the course of time some specialist in Business Service will write a book bearing directly on that idea, but until such

a text is available the credit manager who is sitting up with sick retailers cannot do better than to get Mr. Hodge's book, and feed it to his patients in such doses as their systems are able to stand without shock.

A Guide to Statement Analysis

ANALYSIS OF FINANCIAL STATEMENTS. H. G. Guthmann, C. P. A. Prentice-Hall, Inc., N. Y. 1925. 466 pp. \$5.

Since the time when the importance of financial and operating ratios began to be recognized, many writers have essayed presentations of the subject of statement analysis. The results were treatments rather than treatises. That is to say, they were sketchy. They did not go far enough, or deep enough. The authors did not seem to be conscious of the fact that they were facing a man-size job.

Here, however, is a manful attempt to do justice to a big subject. Mr. Guthmann, who is associate professor of business administration in the University of Texas, has tackled the problem with vigor and intelligence, and the result is a book which will undoubtedly win its way, not only with the students for whom it is primarily intended, but also with a wide circle of credit men, bankers and business men in general.

The book is in two parts. The first, devoted to general principles of financial

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statement analysis, indicates the place of financial statements in modern business; describes the construction of the balance sheet and the profit and loss statement; and discusses capitalization, fixed assets and the interpretation of balance sheet changes. It further treats fully the analysis of the income statement and presents, in Chapter IX, an admirable treatment of internal analysis by means of ratio studies.

In Part II, Professor Guthmann takes up statements characteristic of different types of business. These include railroads, gas companies, hydro-electric power concerns, mercantile and manufacturing corporations, mines, banks, insurance companies, and holding companies. The volume is completed by an adequate bibliography, and Appendix of 24 pages and a satisfactory Index.

Credit managers will note in this volume

frequent references to the National Association of Credit Men. On page 11, for example, there is an acknowledgment of the Association's instrumentality in securing a uniform false statement law. On the same page is this statement:

"The value of statements has been recognized by the National Association of Credit Men almost since their organization in 1896. They have encouraged the wider use of this type of information by the adoption of a Uniform Statement blank which they supply at a nominal cost. It may be noted in passing that this action in adopting a uniform statement blank in 1896 preceded the similar action of the American Bankers' Association by a year. In their educational work they have urged the advisability of securing these statement blanks, properly filled in and signed by the credit applicant."

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Professor Guthmann has "affectionately dedicated" his magnum opus to Dr. Charles W. Gerstenberg, toward whom members of the National Institute of Credit have a cordial feeling because of his continued and loyal service as a member of the Supervisory Committee of the Association's Department of Education and Research.

Full Protection For Credit Records

IN A SERIES of articles designed to acquaint credit executives with every kind of up-to-date and worth while machines, methods and equipment which may help them to increase the efficiency of their departments, the CREDIT MONTHLY printed during 1924 and 1925 several articles on the very important subject of record protection. It is not very long ago that records came to be appreciated as indispensable to successful business. Previous to the beginning of this century, when the word "efficiency" had not yet crept into the business man's daily vocabulary, records were kept anywhere,—on shelves, in pigeon holes, desks and closets, or in safes of little or no safety. Such questions as

How much would it cost to replace these records?

How much would we lose in collections if these records were lost?

Would we be at a disadvantage if we should need to show these records and couldn't produce them?

seldom bothered business men in those earlier, easier days. In fact these questions didn't really begin to present themselves until comparatively recently. Today, however, records are respected and widely appreciated for their real value. The more complex a business, the more necessary they are. Their value often represents the value of the entire business.

Therefore it is obvious that the more valuable a firm's records, the more care must be exercised to protect them. With the increasing need for protection of records, safes of all sizes, shapes and styles have been invented. In their ceaseless efforts to produce safes of greatest value, manufacturers have concentrated on the fire-resistant qualities perhaps more than on any one of the other necessary qualities.

Several of the big manufacturers have their own testing laboratories where their products are subjected to severe fibre tests. Others send their products to the Underwriters Laboratories in Chicago to be tested in order that their goods may go out bearing the Underwriters' label. It is at this point that we wish to correct a statement made in one of our articles, entitled "In the Land of the Fire," to the effect that the only fire resistive receptacles for storing records and papers which guarantee that such contents will come undamaged through the fiercest fire are those made in conformity with the specifications of the Underwriters' corps of experts. In their list of inspected fire protection appliances, published recently, the Underwriters Laboratories state that, "products of manufacturers labelled or listed as mentioned herein are not necessarily equivalent in quality or merit, the labelling and listing indicating only compliance with Underwriters Laboratories Standards."

As one manufacturer writes, "there is great credit due the Underwriters Laboratory for their painstaking efforts and the results they have accomplished in placing higher standards on making fire resisting receptacles. It is estimated that over 50 per cent. of the fireproof safes sold today are made by safe companies of many years experience, maintaining their own highly skilled and equipped laboratories."

Joseph L. Morris



JOSEPH L. MORRIS, since 1921 the Credit Manager of the Federal Reserve Bank of New York, has resigned to become Vice-President of the Manufacturers Trust Co., New York.

Mr. Morris, who was born in New York City in 1882, was originally connected with mercantile business and for a time was a newspaper reporter. Early in his career he became active in credit work as a reporter for and Assistant Secretary of Dow's Mercantile Agency, the first to specialize in credit investigations for banks. In 1908 he entered the Commercial Department of Knauth, Nachod & Kuhne, and from 1909 to 1921, was connected with the Farmers Loan & Trust Company interests, first as Manager of the Credit Department of the Franklin Trust Company which they then controlled, and later as Manager of the Credit Department of the Farmers Loan & Trust Company where he acted as assistant to J. Herbert Case, now Senior Deputy Governor of the Federal Reserve Bank of New York. Mr. Case's duties—in charge of all commercial and unsecured loans—he assumed when the latter became connected with the Federal Reserve Bank of New York.

In organizations of credit men, Mr. Morris has long been active. He has served on important committees of the National Association of Credit Men and the New York Credit Men's Association, now being a member of its Executive Committee. He is a past President of the New York Chapter of the Robert Morris Associates, and served two terms as President of the Robert Morris Associates—the national organization of bank credit executives who are members of the N. A. C. M.—now being a member of its Advisory Board.

He is a member of the Salmagundi and Reform Clubs of New York, American Numismatic Society, Metropolitan Museum of Art, American Museum of Natural History, and the New York Chapter of the American Institute of Banking.

There is little excuse today for a concern which does not take care to adequately protect its records against fire. To dispel any fear of his records being destroyed by fire a credit executive needs only to make certain that the safe he wishes to purchase has been scientifically tested for its durability in a fire.

Help Wanted

ASSISTANT CREDIT MAN WANTED for Home Office Large Middle Western concern. Should be in the neighborhood of 30 years of age. This is a growing concern and a real opportunity for advancement. Address communication to F. G. Hathaway, Manager, Department of Service, National Ass'n of Credit Men.

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WANTED—ASSISTANT CREDIT MAN—Large New York concern, prefers College Graduate, between ages of 25 and 30. Salary \$3600. Address communication to F. G. Hathaway, Manager, Department of Service, National Ass'n of Credit Men.

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Credit Men to Broadcast

THE Credit Education Committee of the Pittsburgh Association of Credit Men has arranged for a "Better Business Radio Series" of talks by leading credit executives over Station WCAE (Pittsburgh Press; Kaufman & Baer) on February 3, 10, 17 and 24 and March 3 and 10 at 8 p. m. as follows:

1. "Choosing a Location," D. W. Everett, Armour & Co.
2. "Organizing a Business," J. M. Stoner, Franklin Savings & Trust Co.
3. "Law the Business Man Must Know," Robert Young, Carnegie Steel Co.
4. "What is Overhead?" Frank Wilbur Main, Main & Co.
5. "Analyzing Your Business," R. S. Harvey, Rees Mfg. Co.
6. "Co-operation for Better Business," R. T. Graham, Pittsburgh Dry Goods Co.

Cuban Conditions

(Continued from page 18)

been shown while the rest considered the situation less favorable. The receivables outstanding, however, were greater and stocks at normal, or possibly in one case, above. Failures were somewhat less and the advisability of exercising caution in the future was clearly brought out.

In the exporting of *Drugs, Chemicals and Druggists' Supplies*, it was generally indicated that there was a considerable increase in sales. While collections were usually slow during the latter part of the year in spite of some improvement generally almost half felt that collections had not improved during the year. Receivables in some cases were greater because of larger sales, but in the majority of instances were considerably lower due to better credit checking and the following of collections. Opinions on stock indicated an even division, being either normal or below normal, with in-

dication that buying had been on a hand to mouth basis. A smaller number of failures was noted.

Replies from the *Steel and Metal* trade indicated smaller sales and collections worse than in the year previous. Receivables were less and stocks below normal. While failures were less prevalent the general feeling was that conditions would be worse, although ultimate improvement was looked for.

In the *Food* group, sales were considerably larger and in one instance a greater increase was noted in Cuba than in any other country. Collections were better and receivables outstanding less, stocks were usually considered below normal, and few if any failures noted. It was believed that conditions would be better in the future, but that care should be exercised at the present time.

Automotive sales were reported either the same or larger, and collections better. More receivables were outstanding due to larger sales; but stocks were believed chiefly at normal, although possibly slightly below. Failures were less and the future was looked upon as satisfactory.

In exports of *Office Supplies*, reports of increased sales were balanced off by an equal number of reports of decreased sales, and the same applied to collections outstanding. Receivables were less and stocks were considered normal, failures slightly greater and conditions regarded as fair if carefully handled.

In shipments of *Household Supplies*, sales were greater by a considerable degree with collections worse and a greater amount of receivables outstanding. Stocks were normal or below normal; failures less. Opinion on future conditions was evenly divided for and against improvement, but it is generally considered that care should be exercised and too liberal credits guarded against.

In the *Textile and Wearing Apparel* trade, sales were generally larger, but all replies indicated that collections were no better, with the opinions evenly divided on greater or less amount of receivables. Stocks were below normal, except in one instance; while failures were believed to be about the same. The general opinion was that conditions would be worse, al-

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though some felt that satisfactory conditions might be expected if care were exercised. It was indicated that forced sales of merchandise at bargain prices might have an unhealthy effect on the general market.

In the *Hardware and Paint* industry, sales were in the majority of cases smaller with no improvement in collections, and less receivables outstanding due to decreased sales. Stocks were almost uniformly considered below normal, and failures smaller. Opinion was evenly divided on whether or not the situation would improve, although it was again pointed out that care must be exercised.

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ALBERT, MME., operating as Albert Lingerie Shop, at 95 Second Avenue, New York City.
ALLEN, MRS. I., formerly doing business at The Beatrice Shop, at 1102 Granville Avenue, Chicago, Ill.
ANDERSON, ROBERT L., formerly operated under name of the Oriental Fine Art Company, at 224 East 4th Street, Tulsa, Oklahoma.
ART METAL PRODUCTS COMPANY, recently located at 799 Broadway, New York City.
B & A MACHINE COMPANY, formerly located at 66 Broad Street, New York City.
BASKIN DRUG COMPANY, INC., formerly of 1016 Flatbush Avenue, Brooklyn, N. Y.
COHEN'S, M. SAMPLE SHOP, previously located in Philadelphia, Pa.
DEMOPOLOS, JOHN, formerly of Elkhart, Indiana.
DILLARD, W. E., formerly in business at Dorrisville, Illinois, later located in Eldorado and Harrisburg, Illinois.
DRAKE & SUTHERLAND, formerly of 152 State Street, St. Paul, Minn.
EMANUEL, JACOB, formerly in the merchant tailoring business at 152 West 42nd Street, New York City.
FERRIER, J. B., formerly of Tecumseh, Nebraska. Now believed to be in Springfield, Missouri.
FRANTZ, A. W., formerly of Youngstown, Ohio, and Waterloo, N. Y.
GOLDENBERG, I., a druggist, formerly at 92 Jackson Avenue, Jersey City, N. J.
GOUTAS, A., a merchant tailor, located at 205 Lexington Avenue, New York City.
HANLEY, THOMAS J., operated as the Hanley Electric Company, formerly of Lawrence, Mass. Now reported to be somewhere in Ohio.
HARRINGTON, H. S., an Attorney, formerly located at Steele, Missouri.
HILL, C. W., formerly of Chapel Hill, Missouri, R. F. D. from Bates City, Missouri.
HINDERSTEIN, SAM, formerly of Katskill, N. Y., a plumber.
HOROWITZ, BENJAMIN, operated as the Lincoln Paint Works, at 719 East 11th Street, New York City.
HORTON SUPPLY COMPANY, originally located at Scranton, Pa., and later at 364 South Pearl Street, Albany, N. Y.
KALAVOS BROTHERS, formerly of 147 Delancey Street, New York City.
KASPER, HYMAN, 1342 Park Avenue, New York City.
KOCH, J. A., formerly a furniture dealer, residing at 319 South 60th Street, Philadelphia, Pa.
KRAEMER, ABRAHAM, recently trading as the Phil-Mark Company, Ladies Ready-To-Wear, at 186 Market Street, Newark, N. J.
LANE, CHAS. W., formerly of Yale, Oklahoma.
LEVINE, DAVID, formerly at 274 Wilson Avenue, Brooklyn, N. Y.
LEVY BROS., located at 5507 5th Avenue, Brooklyn, N. Y.
LEWENBERG, MILTON, formerly of 77 Verdale Street, Brookline, Mass. Now believed to be in Florida.
MANN, CARL F., formerly of Golden, Colorado, and McCook, Nebraska.
MARCHISELLA, NICHOLAS, 3530 Barnes Avenue, Bronx, New York City.
MUIR, SAM, formerly of Kansas City, Mo., and Los Angeles, Cal.
REMIS OIL COMPANY, 500 Fifth Avenue, New York City.
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RUDD, JACK, formerly of Kansas City, Mo., and Los Angeles, Cal.
SEECHON & PERTNITZER, located at 365 2nd Avenue, New York City.
SHERIN, JOHN J., a plumber, formerly of Kansas City, Missouri.

SOFFERIN, RAY, formerly of Muskegon, Michigan.
SUMMERS, CHARLES, 12605 Farrington Avenue, Cleveland, Ohio.

SWECK, V. J., formerly conducted a tailoring business at 305 Schultz Blvd., Lafayette, Indiana.
WAHER, HENRY, recently operated a furniture store, at 1724 South 7th Street, Philadelphia, Pa.

WALDINGER, J., a druggist, formerly of 1881 Amsterdam Avenue, New York City.

WALLER, DISTRIBUTING COMPANY, operated by Philip Waller, formerly located at Loveland, Colorado.

WIETCO, MRS. MARIE A., recently located at 12238 Grand River Ave., Detroit, Michigan.

ZUDER, LOUIS and ANNIE, formerly of Leverett, Mass.

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